5BARz International, Inc.
Form 10-Q
November 14, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File No. 333-1258321

5BARz International Inc.

(Name of small business issuer in its charter)

Nevada	26-4343002
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
9444 Waples Street, Suite 140 **San Diego, California**	92121

(Address of principal executive offices) (Zip Code)

877-723-7255

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class registered:	Name of each exchange on which registered:
None	None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, par value $0.001

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [ ] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes [ ] No [X]

Indicate the number of shares outstanding of each issuer's classes of common stock, as of the latest practicable date:

Number of shares of the registrant's common stock, par value $0.001 outstanding as of November 10, 2014 was 198,861,192.

5BARz INTERNATIONAL INC.

FORM 10-Q

For the three and nine months ended September 30, 2014

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements. Forward-looking statements include those that address activities, developments or events that we expect or anticipate will or may occur in the future. All statements other than statements of historical facts contained in this Quarterly report, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. These statements reflect the current views of management with respect to future events and are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those described in the forward-looking statements. Such risks and uncertainties include those set forth under the captions "*Risk Factors*" beginning on page 26, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 4, and elsewhere in this Quarterly report. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise. We advise you to carefully review the reports and documents we file from time to time with the Securities and Exchange Commission (the "SEC"), particularly our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K.

As used in this Quarterly report, the terms "we," "us," "our," "5BARz" and the "Company" mean 5BARz International Inc. and its subsidiaries, unless otherwise indicated. All dollar amounts in this Quarterly report are expressed in U.S. dollars, unless otherwise indicated.

The disclosures set forth in this report should be read in conjunction with the audited financial statements and notes thereto of the Company for the year ended December 31, 2013. Because of the nature of a relatively new and growing company, the reported results will not necessarily reflect the operating results that will be achieved in the future.

5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$64,510	$450,215
Inventories	168,604	161,900
Note receivable	—	65,000
Prepaid expenses and deposits	139,764	62,981
TOTAL CURRENT ASSETS	372,878	740,096
FIXED ASSETS:		
Furniture and Equipment, net	244,761	225,983
OTHER ASSETS:		
Intangible assets	3,339,875	3,387,406
Goodwill	1,140,246	1,140,246
TOTAL OTHER ASSETS	4,480,121	4,527,652
TOTAL ASSETS	$5,097,760	$5,493,731
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$2,304,167	$1,450,167
Due to escrow agent	52,321	52,321
Derivative liabilities	291,952	60,018
Lease obligation (current portion)	60,000	60,000
Notes payable, net of debt discount	246,313	410,183
TOTAL CURRENT LIABILITIES	2,954,753	2,032,689
Lease obligation (non- current portion)	64,738	100,464
TOTAL LIABILITIES	3,019,491	2,133,153
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value, 400,000,000 shares authorized (i); 198,327,860 and 163,909,191 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	198,328	163,909
Capital in excess of par value	13,570,631	7,721,140
Accumulated deficit	(12,300,646)	(5,173,598)
Accumulated other comprehensive income	29,410	29,234
Non-controlling interest	580,546	619,893
TOTAL STOCKHOLDERS EQUITY	2,078,269	3,360,578
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,097,760	$5,493,731

(i) On September 24, 2014 the shareholders of the Company approved an amendment to the Articles of Incorporation to amend the authorized capital from 250,000,0000 to 400,000,000.

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

F-1

5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Unaudited)

	3 Months Ended		9 Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Income Statement				
Sales	$—	$—	$—	$—
Cost of Sales	—	—	—	—
Operating expenses:				
Amortization and depreciation	92,602	495	129,432	1,623
Bank charges and interest	27,290	15,889	45,516	44,857
Sales and marketing expenses	336,332	36,514	691,188	127,882
Research & development	1,115,386	201,958	3,192,105	305,958
General and administrative expenses	748,043	770,506	3,042,945	1,753,912
Total operating expenses	2,319,653	1,025,362	7,101,186	2,234,232
Loss from operations	(2,319,653)	(1,025,362)	(7,101,186)	(2,234,232)
Other income (expense):				
Interest income	—	—	58	—
Change in fair value of derivative liability	(831)	(1,346)	13,556	(52,594)
Interest expense – debt discount	(78,823)		(78,823)	
Other	—	86,060	—	172,933
Total Other income	(79,654)	84,714	(65,209)	120,339
Net loss before non-controlling interest	(2,399,307)	(940,648)	(7,166,395)	(2,113,893)
Non-controlling interest share of net loss	25,115	4,577	39,347	95,701
Net loss after non-controlling interest	$(2,374,192)	$(936,071)	$(7,127,048)	$(2,018,192)
Basic loss per common share	$(0.01)	$(0.01)	$(0.04)	$(0.02)
Weighted average number of shares outstanding	186,700,918	125,414,735	173,911,252	118,545,298
Other comprehensive income				
Foreign currency translation (loss) gain	(5,247)	11,227	176	22,979
Other comprehensive (loss) income	(5,247)	11,227	176	22,979
Comprehensive Loss	$(2,379,439)	$(924,844)	$(7,126,871)	$(1,995,213)

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

5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 and 2013
(Unaudited)

	9 Months Ended	
	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(7,166,395)	$(2,113,892)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	129,432	1,623
Stock based compensation	1,165,142	515,123
Change in fair value of derivative liability	(13,556)	60,772
Common shares issued for services	483,971	220,139
Interest expense – debt discount	78,823	
Changes in operating assets and liabilities:		
Change in inventories	(6,704)	—
Change in note receivable	65,000	—
Change in accounts payable and accrued expenses	955,403	319,260
Change in prepaid expenses and deposits	(76,783)	(38,920)
Change in unpaid interest and penalties on notes payable	29,036	(44,545)
Net cash used in operating activities	(4,356,631)	(1,080,440)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of intangible assets	(24,577)	—
Purchase of furniture and equipment assets	(76,102)	(3,103)
Net cash used in investing activities	(100,679)	(3,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible notes	150,000	35,000
Payments of amounts due to related party	—	(19,378)
Proceeds used to settle notes payable	(105,939)	(151,584)
Proceeds from issuance of common stock	4,029,545	1,196,750
Proceeds from issuance of common stock by subsidiary - 5BARz AG	33,549	95,222
Principal payments of capital leases	(35,726)	—
Net cash provided by financing activities	4,071,429	1,156,010
Effect of foreign currency exchange	176	22,979
NET (DECREASE) INCREASE IN CASH	(385,705)	95,446
CASH, BEGINNING OF PERIOD	450,215	48,308
CASH, END OF PERIOD	$64,510	$143,754
Supplementary disclosure of Cash Flow Information		
Cash paid for interest	$10,265	$13,374

NON-CASH INVESTING AND FINANCING ACTIVITIES

Conversion of notes payable - CelLynx Group,Inc. & 5BARz	$70,300	$7,200
Issuance of convertible note in lieu of accounts payable	—	$147,428
Shares issued to settle interest on notes payable	—	$7,500
Settlement of accounts payable with common stock	105,000	$31,250
Replacement of common shares acquired with a convertible note	$—	$80,000

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

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 1 – Organization and Going Concern

The Company was incorporated under the laws of the State of Nevada on November 14, 2008. The Company was a designated shell corporation from inception to the date of acquisition of the 5BARz assets.

In 2010 the Company changed its name to 5BARz International, Inc. and the Company acquired a set of agreements for certain intellectual property underlying the 5BARz™ products, and marketing rights. The 5BARz products are highly engineered wireless units referred to as "cellular network infrastructure devices". The 5BARz™ device captures cell signal and provides a smart amplification and resend of that cell signal giving the user improved cellular reception in their home, office or while mobile. Pursuant to the agreements referred to above, the Company was engaged as the exclusive agent for the global sales and marketing of the 5BARz™ products. On March 29, 2012, 5BARz International, Inc. acquired a 60% controlling interest in CelLynx Group, Inc. and a 60% interest in the intellectual property underlying the 5BARz™ products. From that acquisition date, 5BARz International Inc. continued the development and improvement of the 5BARz technology.

On November 6, 2011, the Company incorporated a subsidiary Company in Zurich, Switzerland called 5BARz AG which is a 94.2% held subsidiary at September 30, 2014. This entity has been granted the license for the marketing and distribution rights for 5BARz products in Germany, Austria and Switzerland.

These financial statements reflect the financial position for the Company and its subsidiary companies 5BARz AG, CelLynx Group Inc. and its wholly owned subsidiary CelLynx Inc. as at September 30, 2014. Results of operations for subsidiary Companies are reflected only from the date of acquisition of that subsidiary for the period indicated in the respective statement.

Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has made no revenue to date. The Company incurred losses of $2,399,307 and $7,166,395 during the three and nine months ended September 30, 2014 respectively. Cash used in operating activities was $4,356,631 and $1,080,440 for the nine months ended September 30, 2014 and 2013 respectively. The Company is seeking additional sources of equity or debt financing, and there is no assurance these activities will be successful. These factors raise substantial doubt about the Company's ability to continue as a going concern and the Company's continued existence is dependent upon adequate additional financing being raised to develop its sales and marketing program for the sales of 5BARz product, to expand the Company's product base and commence its planned operations.

Management's assessment of the significant mitigating factors include several quantitative and qualitative conditions which support the Company's ability to continue as a going concern as follows;

- *Continued ability to generate proceeds from private placements* – since inception of the 5BARz business in 2008, the Company has financed operations through private placements and debt, with increased volumes in the recent year. The Company's gross proceeds from private placements for the nine months ended September 30, 2014 was $4,029,545 compared to $1,196,750 in 2013. This represents an increase of 236% over the prior year.
- *Reduced levels of debt in the Company* – The Company has reduced its levels of current liabilities compared to the prior year. On September 30, 2014 the total current liabilities were $2,954,754 a decrease of 22% from the corresponding balance, September 30, 2013 of $3,765,237.
- *Improved Valuation on Securities Issued* – The Company has continued to fund operations through private placements, which have increased from $0.05 per unit in 2013 to $0.15 during the current year, an increase of 300% over the pricing in the prior year.
- *Delivery of Beta Products* – In August 2014, the Company delivered products for testing to a collaborative partner which is an international cellular network operator. Since that time the Company has made subsequent beta product deliveries and the rate of development and delivery of those products is accelerating.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 1 – Organization and Going Concern (continued)

Going concern – (continued)

The accompanying condensed consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Note 2 – Summary of significant accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months September 30, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed on April 14, 2014 for the fiscal year ended December 31, 2013.

The accompanying consolidated financial statements include the accounts of 5BARz International Inc., and its 94.2% owned subsidiary, 5BARz AG, and it’s 60% owned subsidiary CelLynx Group, Inc. and that Company’s 100% owned subsidiary CelLynx, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

As the Company's has not yet commenced any revenue-generating operations, does not have any cash flows from operations, and is dependent on debt and equity funding to finance its operations, the Company is considered a development stage company. The Company's activities are subject to significant risks and uncertainties, including failing to secure additional funding to commercialize the Company's current technology before another company develops similar technology.

In June 2014, as discussed in Note, 2, the Financial Accounting Standards Board issued new guidance that removed all incremental financial reporting requirements from generally accepted accounting principles in the United States for development stage entities. The Company early adopted this new guidance effective June 30, 2014, as a result of which all inception-to-date financial information and disclosures have been removed from this report.

Cash

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of one year or less.

Use of estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include impairment analysis for long lived assets, income taxes, litigation and valuation of derivative instruments. Actual results could differ from those estimates.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Concentration of credit risk

Cash includes deposits in accounts maintained at financial institutions. Certain financial instruments, which subject the Company to concentration of credit risk, consist of cash. The Company maintains balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits for the banks located in the United States. To date, the Company has not experienced any losses in such accounts.

Research and Development Costs

Research and Development costs are charged to expense as incurred. The costs of materials and equipment that are acquired or constructed for research and development activities, and have alternative future uses (either in research and development, marketing or production), are classified as property and equipment and depreciated over their estimated useful lives.

Furniture & equipment

Furniture & equipment is recorded at historical cost and is depreciated using the straight-line method over their estimated useful lives. The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and period are consistent with the anticipated pattern of future economic benefits. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains and losses on disposals are included in the results of operations. The furniture and equipment is being depreciated over their estimated useful life of three to seven years.

Inventory

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.   As of September 30, 2014 the Company’s inventory included 1,030 units of Road Warrior cellular network extenders.

Goodwill and other intangible assets

The Company accounts for goodwill and intangible assets in accordance with the accounting guidance which requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. The Accounting Standards Codification ("Codification") requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

When testing goodwill for impairment, the Company may assess qualitative factors for some or all of its reporting units to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this qualitative assessment for some or all of our reporting units and perform a detailed quantitative test of impairment (step 1). If the Company performs the detailed quantitative impairment test and the carrying amount of the reporting unit exceeds its fair value, the Company would perform an analysis (step 2) to measure such impairment. In 2013, the Company first performed a qualitative assessment to identify and evaluate events and circumstances to conclude whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying amount. Based on the Company's qualitative assessments, the Company concluded that a positive assertion can be made from the qualitative assessment that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. In accordance with the Codification, the Company reviews the carrying value of its intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or asset group, if any, exceeds its fair market value. No impairment was deemed to exist as of September 30, 2014.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 2 – Summary of significant accounting policies (continued)

Long-Lived Assets Subject to Amortization

The Company amortizes intangible assets with finite lives over their estimated useful lives and reviews them for impairment annually or whenever impairment exists. The Company continually evaluates whether events or changes in circumstances might indicate that the remaining estimated useful life of long-lived assets may warrant revision, or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related undiscounted cash flows in measuring whether the long-lived asset should be written down to fair value. Measurement of the amount of impairment would be based on generally accepted valuation methodologies, as deemed appropriate. The intangible assets are being amortized over their estimated useful life of seven to ten years.

There were no long-lived assets impairment charges recorded during the three and nine months ended September 30, 2014.

Revenue recognition

The Company's revenue recognition policies are in compliance with ASC Topic 605, “Revenue Recognition.” Revenue is recognized at the date of shipment to customers, and when the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured.

Foreign currency translation

Transactions in foreign currencies have been translated into US dollars using the temporal method. The functional currency of the Company’s subsidiary 5BARz AG, is its local currency (Swiss Franc – CHF). Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets have been translated at the historical rate of exchange prevailing at the date of the transaction. Expenses have been translated at the exchange rate at the time of the transaction. Realized and unrealized foreign exchange gains and losses are included in operations.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities, approximate fair value due to the short-term nature of these instruments.

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1. Quoted prices in active markets for identical assets or liabilities.
- Level 2. Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3. Significant unobservable inputs that cannot be corroborated by market data.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 2 – Summary of significant accounting policies (continued)

Fair value of financial instruments

The assets or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The following table provides a summary of the assets that are measured at fair value on a recurring basis.

	Consolidated Balance Sheet	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Liabilities:				
September 30, 2014	$ 291,952	$ —	$ —	$ 291,952
December 31, 2013	$ 60,018	$ —	$ —	$ 60,018

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	September 30, 2014	December 31, 2013
Beginning balance	$60,018	$—
Aggregate fair value of conversion feature upon issuance	245,490	57,995
Change in fair value of derivative liabilities	(13,556)	2,023
Ending balance	$291,952	$60,018

The derivative conversion feature liabilities are measured at fair value using the Black-Scholes pricing model and are classified within Level 3 of the valuation hierarchy. The significant assumptions and valuation methods that the Company used to determine fair value and the change in fair value of the Company's derivative financial instruments are provided below:

	September 30, 2014		December 31, 2013	
Stock price	$ 0.19		$ 0.25	
Volatility	128	%	211	%
Risk-free interest rate	0.58	%	0.04	%
Dividend yield	0.04	%	0	%
Expected life	1.87 years		0.002 years	

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the derivate liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's accounting and finance department, which reports to the Chief Financial Officer, determines its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's accounting and finance department with support from the Company's consultants and which are approved by the Chief Financial Officer.

Level 3 financial liabilities consist of the derivative liabilities for which there is no current market such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 2 – Summary of significant accounting policies (continued)

The Company uses the Black-Scholes option valuation model to value Level 3 financial liabilities at inception and on subsequent valuation dates. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, risk free rates, as well as, volatility.

As of September 30, 2014 there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

Derivative instruments

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging". The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liability at the fair value of the instrument on the reclassification date.

Stock Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation." ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. Under ASC 718, the Company's volatility is based on the historical volatility of the Company's stock or the expected volatility of similar companies. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company uses the Black-Scholes option-pricing model which was developed for use in estimating the fair value of options. Option-pricing models require the input of highly complex and subjective variables including the expected life of options granted and the Company's expected stock price volatility over a period equal to or greater than the expected life of the options. Because changes in the subjective assumptions can materially affect the estimated value of the Company's employee stock options, it is management's opinion that the Black-Scholes option-pricing model may not provide an accurate measure of the fair value of the Company's employee stock options. Although the fair value of employee stock options is determined in accordance with ASC 718 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/seller market transaction.

The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees.

The Company incurred stock based compensation charges during the three and nine month period ended September 30, 2014 and 2013 as follows;

	3 months ended September 30		9 months ended September 30	
	2014	2013	2014	2013
General and administrative	$84,366	$396,219	$624,875	$407,718
Research and development	83,332	65,241	369,431	107,405
Sales and marketing	85,885	—	170,836	—
Total	$253,583	$461,460	$1,165,142	$515,123

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 2 – Summary of significant accounting policies (continued)

Net loss per share

The Company reports loss per share in accordance with the ASC Topic 260, "Earnings Per Share.", which requires presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. In the accompanying financial statements, basic earnings per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period plus the issuance of common shares, if dilutive, that could result from the exercise of outstanding stock options and warrants and conversion of notes payable. These potentially dilutive securities of 92,396,695 and 30,511,876 were not included in the calculation of loss per common share for the three and nine months ended September 30, 2014 or 2013 respectively, because their effect would be anti-dilutive. The weighted average number of shares outstanding does not include reciprocal shareholdings, held by the Company's subsidiary, CelLynx Group, Inc. which is reflected as a reduction in capital in excess of par value on the Company's balance sheet.

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-10, "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation." This ASU removes the definition of a development stage entity from the ASC, thereby removing the financial reporting distinction between development stage entities and other reporting entities from GAAP. In addition, the ASU eliminates the requirements for development stage entities to (1) present inception-to-date information in the statements of operations, cash flows, and stockholders' equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. This ASU is effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. The Company has elected to adopt this ASU effective with the June 30, 2014 Quarterly Report on Form 10-Q and its adoption resulted in the removal of previously required development stage disclosures.

In August 2014, the FASB issued ASU 2014-15 on “Presentation of Financial Statements Going Concern (Subtopic 205-40) - Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. Currently, there is no guidance in U.S. GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. The amendments in this ASU provide that guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management’s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted. The Company has elected to adopt this ASU effective with this Quarterly Report on Form 10-Q and its adoption resulted in the additional disclosures in note 1, reflecting management’s assessment of the mitigating effect of management’s plans on the Company’s ability to continue as a going concern.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 2 – Summary of significant accounting policies (continued)

FASB, the Emerging Issues Task Force and the SEC have issued certain other accounting standards, updates, and regulations as of September 30, 2014 that will become effective in subsequent periods; however, management does not believe that any of those updates would have significantly affected our financial accounting measures or disclosures had they been in effect during 2014 or 2013, and it does not believe that any of those pronouncements will have a significant impact on our consolidated financial statements at the time they become effective.

Note 3 – Furniture & equipment

Furniture & Equipment consisted of the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Office furniture and equipment	$98,202	$70,804
Research and development equipment (i)	169,350	169,350
Leasehold improvements	45,765	6,940
	313,317	247,094
Accumulated amortization & depreciation	(68,556)	(21,111)
Furniture & equipment net	$244,761	$225,983

During the three and nine months ended September 30, 2014 the Company incurred amortization and depreciation expense of $20,494, (2013 - $495) and $57,324, (2013 - $1,623) respectively.

(i) The research and development equipment is subject to the terms of a capital lease agreement. (See Note 7).

Note 4 – Long lived assets subject to amortization

Intangible assets are comprised of technology, trademarks and license rights which are recorded at cost.

	September 30, 2014	December 31, 2013
Technology	$3,040,371	$3,015,794
Marketing and distribution agreement	370,000	370,000
Trademarks	264	264
License rights	1,348	1,348
	3,411,983	3,387,406
Accumulated amortization	(72,108)	—
Technology and other intangibles, net	$3,339,875	$3,387,406

On August 2, 2014, the company commenced amortization of technology and other intangibles upon delivery of commercial beta devices for testing to a collaboration partner. During the three and nine months ended September 30, 2014, $72,108 was recorded as amortization on technology and other intangibles and nil during year ended December 31, 2013. The Company's estimated technology amortization over the next five years is expected to be $2,435,979.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 5 – Sales of common stock

During the nine months ended September 30, 2014, the Company has issued shares of common stock as follows:

On January 15, 2014 the Company issued 100,000 shares at a price of $0.167 per share for the settlement of notes payable with a total value of $16,700.

On February 10, 2014 the Company issued 405,581 shares at a price of $0.2465 per share for services with a total fair value of $100,000.

On February 10, 2014 the Company issued 1,250,000 shares at a price of $0.23 per share for services with a total fair value of $287,500.

On May 1, 2014 the Company issued 2,000,000 shares for services valued at $160,000.

On May 29, 2014 the Company issued 347,222 shares at a price of $0.144 per share for the settlement of notes payable with a total value of $50,000.

On July 8, 2014 the Company entered into a settlement for debt agreement with the Chairman of the Board, in the amount of $105,000. Pursuant to the terms of the agreement the Company issued 700,000 units at a price of $0.15 per unit. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.20 per share acquired, with a two year term on the attached warrant.

On July 16, 2014 the Company issued 11,400 shares at a price of $0.05 per share for services with a total fair value of $570.

On August 14, 2014 the Company issued 32,500 shares at a price of $0.22 per share for services with a total fair value of $7,150.

During the period January 31, 2014 to March 17, 2014 the Company issued 6,550,000 units at a price of $0.10 per unit for aggregate proceeds of $655,000. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

During the period March 6, 2014 to September 30, 2014 the Company issued 22,496,965 units at a price of $0.15 per unit for aggregate proceeds of $3,374,545. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

During the period April 28, 2014 to September 30, 2014 the Company issued 325,000 units at a price of $0.15 per unit for services with a total value of $48,750. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

During the period June 1, 2014 to September 30, 2014 the Company issued 200,000 shares at a price of $0.20 per share for services with a total fair value of $40,000.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(unaudited)

Note 6 – Convertible Securities

Convertible Promissory Notes

5BARz International, Inc. Issue Date	Unpaid Note Principal	Note Terms	Unpaid Interest	Balance September 30, 2014	Balance December 31, 2013
June 8, 2012	—	(a)	—	—	103,997
December 17, 2012	80,000	(b)	11,432	91,432	86,645
January 8, 2013	92,543	(c)	1,868	94,411	154,017
August 1, 2014	150,000	(d)	16,667	166,667	—
Notes payable – 5BARz International Inc.	$322,543		$29,967	$352,510	$344,659

CelLynx Group Inc.	Unpaid Note Principal	Note Terms	Unpaid Interest	Balance September 30, 2014	Balance December 31, 2013
Issue Date					
May 24, 2012	15,900	(e)	19,295	35,195	37,822
September 12, 2012	12,500	(f)	12,775	25,275	27,702
Notes payable CelLynx Group, Inc.	$28,400		$32,071	$60,470	$65,524
Sub-Total	$350,943		$62,037	$412,980	$410,183
Debt Discount	—		—	166,667	—
Total, net of debt discount	$350,943		$62,037	$246,313	$410,183

a) In January 2012, the Company negotiated potential agreements for a convertible debenture and an equity investment agreement with a private investment firm (La Jolla). On February 3, 2012 the investment firm advanced $100,000, and on June 8, 2013 they advanced $50,000 to the Company. As contemplated, the convertible debenture agreement provided that the investor could invest up to $500,000 and convert the principal and unpaid interest into a certain number of shares, 180 days from the date of the agreement. On August 2, 2012 and August 13, 2012, the Company received conversion notices that materially conflict with the parties’ negotiations and the terms of the agreement. The Company offered to repay the amounts invested along with accrued interest and additional share compensation, but arrived at no settlement.

On October 16, 2012, the investment firm filed a complaint in the federal court for the Northern District of California claiming breach of contract and seeking compensatory damages. On January 3, 2013, the Company entered into a settlement agreement requiring payments in the aggregate amount of $300,000 yielding interest at 9%, and the issuance of 125,000 shares of the common stock of the Company. The Company issued the 125,000 shares on February 12, 2013.

During the period from May 22, 2013 to March 31, 2014 the Company made a series of payments aggregating $325,939 representing principal and interest required, which is paid in full as of September 30, 2014.

b) In December 2012, a shareholder purchased 1,600,000 common shares for $80,000. The Company included the shares in issued and outstanding shares as of December 31, 2012, but the investor never took possession of the shares. On January 17, 2013, the security was amended to a convertible debenture with an 8% per annum yield and may be converted into common stock, at the option of the holder, 90 days after the inception of the agreement, at a price which is a 20% discount to market, but not less than $0.05 per share. During the period from issuance of the convertible debenture to September 30, 2014, interest of $11,432 was accrued on the convertible debenture, resulting in a total principal and interest due at September 30, 2014 of $91,432.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 6 – Convertible Securities (continued)

Convertible Promissory Notes (continued)

c) On January 8, 2013 the Company entered into a convertible debenture agreement with a consultant in settlement of $147,428 payable to that consultant for services rendered. The convertible debenture yields interest at 8% per annum and may be converted into common stock, at the option of the holder, 90 days after the inception of the agreement, at a price which is a 20% discount to market, but not less than $0.05 per share. During period from January 8, 2013 to September 30, 2014, interest of $18,681 was accrued on the convertible debenture. On November 15, 2013, $5,000 was paid on the note by way of conversion to common stock and during the nine months ended September 30, 2014 a further $66,700 was paid on the note by way of conversion to common stock. At September 30, 2014 principal due on the note was $94,409.

d) On August 18, 2014 the Company entered into a convertible note arrangement with an investment Company, in the principle amount of $500,000 of which $150,000 was advanced to the Company at the inception of the note. The Company agreed to pay an "original issue discount" in an amount up to 10% of the loan amount, or $16,667. The interest rate on the note is 0% for the first 90 days. The loan may be repaid at any time during the first three months of the note term. Thereafter, if the note is not repaid, a one time interest charge of 12% will be assessed. The note is convertible into common stock of the issuer at a discount to market of 40%, with the market defined as the lowest trade price for a period of 25 days prior to the conversion, with a conversion floor price at no lower than $0.00005. In connection with the convertible debt, the Company recorded $245,490 of derivative liability as of September 30, 2014.

e) On May 24, 2012, CelLynx Group, Inc., completed a transaction pursuant to a Promissory Note agreement, through which the Company borrowed $37,500. The Note bears interest at a rate of 8%, and was due on November 24, 2012, (the "Due Date"). The Company could settle that note within the first 90 days following the issue date by paying to the Lender 140% of the principal amount of the note plus accrued interest. The Company may settle the note during the period which is 91 days from the issue date of the note to 180 days from the issue date of the note by payment of 150% of the principal amount of the note plus accrued interest. In the event that the note is not repaid 180 days from the date of issue, the note and accrued interest are convertible into common stock at a variable conversion price equal to 51% of the average of the three lowest closing bid prices for CelLynx Group, Inc's common stock for a period of 10 days prior to the date of notice of conversion. The Company redeemed $21,600 payable on that note, by the issuance of CelLynx Group, Inc. common shares. As of September 30, 2014 the note is past due. The note principle and accrued interest outstanding at September 30, 2014 was $35,195.

(f) On September 12, 2012, CelLynx Group, Inc. completed a transaction pursuant to a Promissory Note agreement, through which the Company borrowed $12,500. The Note bears interest at a rate of 8%, and is due on March 12, 2013, (the “Due Date”). The Company may settle that note within the first 90 days following the issue date by paying to the Lender 140% of the principal amount of the note plus accrued interest. The Company may settle the note during the period which is 91 days from the issue date of the note to 180 days from the issue date of the note by payment of 150% of the principal amount of the note plus accrued interest. In the event that the note is not repaid 180 days from the date of issue, the note and accrued interest are convertible into common stock at a variable conversion price equal to 51% of the average of the three lowest closing bid prices for CelLynx Group, Inc’s common stock for a period of 10 days prior to the date of notice of conversion. As of September 30, 2014 the note is past due. The note was carried at $25,275 comprised of principle and interest due at September 30, 2014.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 7 – Lease Obligations

Capital Lease Obligation

On November 1, 2013 the Company entered into a capital lease obligation for the acquisition of research and development equipment in San Diego, California. The lease requires a payment of $5,000 per month for thirty-six (36) months, representing future minimum lease payments as follows;

2014	$20,000
2015	$60,000
2016	$50,000
Total	$130,000
Interest (12%)	$ (5,262)
Capital lease obligation	$124,738

During the three and nine months ended September 30, 2014 amortization expense of $14,113 (2013 – nil) and $42,338 (2013 – nil) was recorded on the R&D equipment.

Operating Lease Obligation

On August 22, 2014 (the commencement date) the Company amended the terms of it's leased facilities in San Diego, California. Pursuant to the terms of that amending agreement the Company extended the terms of its base lease for a further 66 months and in addition leased an expansion premises at the same location, also for 66 months. This lease, as amended represents aggregate minimum lease payments over the next five years and in aggregate as follows;

2015	$203,163
2016	$264,314
2017	$290,788
2018	$300,966
2019	$311,499
Aggregate over 5 years	$53,380
Total	$1,424,110

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 8 – Options and Warrants

Options – 5BARz International Inc.

	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Life
Outstanding at December 31, 2013	4,000,000	$ 0.10	8.88
Granted	8,250,000	0.18	4.51
Exercised	—	—	
Cancelled	—	—	
Outstanding at September 30, 2014	12,250,000	$ 0.15	5.86
Exercisable at September 30, 2014	12,250,000	$ 0.15	5.86

On May 17, 2013 the Company established the 2013 stock incentive plan for the Company. On that date 4,000,000 stock options were issued to officers of the Company to acquire common stock at a price of $0.10 per share. On January 13, 2014 the Company issued 4,150,000 options at a strike price of $0.17 per share, on May 14, 2014 the Company issued 2,000,000 options at a strike price of $0.17 per share, on July 14, 2014, the Company issued 100,000 options at a strike price of $0.17 per share, in addition on August 1, 2014, the Company issued 2,000,000 options at a strike price of $0.17 per share. The Company reports stock-based compensation under ASC 718 "Compensation – Stock Compensation". ASC 718 requires all share-based payments to employees, including grants of employee stock options, warrants to be recognized in the consolidated financial statements based on their fair values. The Company amortizes the fair value of employee stock options on a straight-line basis over the requisite service period of the awards. The Company accounts for equity instruments issued to non-employees as compensation in accordance with the provisions of ASC 718, which require that each such equity instrument be recorded at its fair value on the measurement date, which is typically the date the services are performed. The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The Company measured the stock options issued at fair value using the Black-Scholes pricing model and are classified within Level 3 of the valuation hierarchy. The significant assumptions and valuation methods that the Company used to determine fair value and the change in fair value of the Company's derivative financial instruments are provided below:

	May 17, 2013	January 13, 2014	May 14, 2014	July 14, 2014	August 1, 2014

Stock price	$0.097	$0.17	$0.16	$0.17	$0.17
Volatility	245 %	225 %	191 %	167 %	164 %
Risk-free interest rate	0.04 %	0.04 %	0.04 %	0.04 %	0.04 %
Dividend yield	0	0	0	0	0
Expected life	10 years	5 years	5 years	5 years	5 years

In addition to the stock options issued pursuant to the 2013 stock option plan as provided above, the Company awarded 2,000,000 shares (valued at $160,000) to be provided to the CTO of the Company, to be vested over a period which is the sooner of (i) 12 months of engagement with the Company as CTO, or (ii) the successful completion of the beta test unit as specified in working with the Company's collaborative partner, a multi-national wireless operator. Those shares became fully vested on May 1, 2014.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 8 – Options and Warrants (continued)

Options – 5BARz International Inc. (continued)

The fair value of the options was determined to be as follows based upon the assumptions provided above;

Date Issued	Number of options	Fair value
May 17, 2013	4,000,000	$387,872
January 13, 2014	4,150,000	$681,584
May 14, 2014	2,000,000	$308,746
July 14, 2014	100,000	$19,738
August 1, 2014	2,000,000	$371,666

The option valuations are being amortized over vesting terms ranging from immediate to 3 years. The stock commitment was amortized over a one year vesting term. For the three and nine months ended September 30, 2014, $212,918 (2013 –$456,969) and $1,124,478 (2013 - $506,632) was amortized to expense.

Warrants – 5BARz International Inc.

The following table summarizes the warrant activity to September 30, 2014:

	Number of Warrants	Weighted Average Exercise Price	Average Remaining Contractual Life
Outstanding at December 31, 2013	47,580,103	$ 0.26	
Granted *	30,171,963	0.30	
Exercised	—	—	
Cancelled/ expired	(240,000)	—	
Outstanding at September 30, 2014	77,512,066	$ 0.28	1.17
Exercisable at September 30, 2014	77,512,066	$ 0.28	1.17

* During the nine months ended September 30, 2014, the Company granted 30,171,963 warrants as part of a unit in connection with various equity raises.

Options – CelLynx Group, Inc.

The number and weighted average exercise prices of all Cellynx Group, Inc. options and warrants exercisable as of September 30, 2014, are as follows:

CelLynx Group, Inc. - Options Exercisable

	Options	Weighted average exercise price	Weighted average remaining contract life
Opening at December 31, 2013	65,000,000	$0.0002	3.6
Granted	4,000,000	0.0003	4.8
Expired	—		
Outstanding at September 30, 2014	69,000,000	$0.00021	3.7

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Warrants – CelLynx Group, Inc.

The following table summarizes the warrant activity to September 30, 2014:

	Number of Warrants	Weighted Average Exercise Price	Average Remaining Contractual Life
Outstanding at December 31, 2013	4,500,000	$ .96	
Granted			
Exercised	—	—	
Expired	—	—	
Outstanding at September 30, 2014	4,500,000	$ 0.96	0.8
Exercisable at September 30, 2014	4,500,000	$ 0.96	0.8

Note 9 - Related party transactions

On September 18, 2013 and November 7, 2013 the Company paid $15,000 and $50,000 respectively to a consultant, pursuant to the terms of a promissory note. The note is non-interest bearing and due on demand. Subsequently, on November 21, 2013, that consultant became Chairman of the Board. On February 1, 2014, the promissory note was paid in full by offset of amounts due for unpaid consulting fees.

On July 8, 2014, Company entered into a shares for debt settlement agreement with the Chairman of the Board of the Company. The parties agreed to settle $105,000 of past due consulting fees due to the Chairman of the Board for 700,000 common shares, and 700,000 warrants. Each warrant has a strike price of $0.20 and expires two years from the date of issuance, July 8, 2016.

On July 10, 2014, the Director of Cellynx Group, Inc. was issued 100,000,000 shares of the common stock of Cellynx Group, Inc., at a cost basis of $0.0004 per share, paid as compensation for his services with a total value of $40,000. The amount is included in stock based compensation for the 9 months ended September 30, 2014.

On August 18, 2014, the Director of Cellynx Group, Inc. was granted 4,000,000 options of the common stock Cellynx Group, Inc., Each option has a strike price of $0.0003 and expires five years from the date of issuance, August 18, 2019. These options were valued at $385, using the black shoals pricing model with a calculated volatility of 200%, and a nominal interest rate of 0.04%.

Note 10 – Investment in 5BARz AG

On October 6, 2011, the Company incorporated a subsidiary Company under the laws of Switzerland, in the Canton of Zurich, called 5BARz AG. 5BARz AG issued 10,000,000 common shares of which 5,100,000 are held by the Company, 450,000 are held by officers and a consultant to the Company and 4,450,000 were held in escrow for resale, by an independent escrow agent under the control of the Company. 5BARz AG issued the shares with a stated or par value of CHF 0.01 per share for proceeds of CHF 100,000 (US - $108,752). The net proceeds received on re-sale above the stated or par value of the shares, is paid into 5BARz AG as additional paid in capital. During the six months ended June 30, 2014, sales of those securities aggregated 11,000 shares sold for proceeds of $33,000 CHF ($37,043 USD). At June 30, 2014 the Company holds a 94.2% controlling interest in 5BARz AG represented by 9,417,000 shares. During the 6 month period ended June 30, 2014, 11,000 of the securities held in trust for re-sale by 5BARz AG were sold and the controlling interest in 5BARz AG was reduced by 0.2% to a 94.2% controlling interest.

On October 19, 2011, the registrant, 5BARz International Inc. entered into a Marketing and Distribution agreement with 5BARz AG, through which 5BARz AG holds the exclusive rights for the marketing and distribution of products produced under the 5BARz brand for markets in Switzerland, Austria and Germany. That agreement does not have a royalty payment requirement, and remains effective as long as 5BARz AG is controlled by the Company. 5BARz AG is a consolidated subsidiary of the Company in these financial statements.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 11 – Investment in CelLynx Group, Inc.

On January 7, 2011 the Company entered into a stock purchase agreement with two founding shareholders of CelLynx Group, Inc. to acquire in aggregate 63,412,638 shares of the capital stock of CelLynx Group, Inc. for total proceeds of $634,126. At that date the Company had paid $170,000 as a deposit made under that agreement. On March 29, 2012 the Company entered into a securities exchange agreement and settlement agreement with each of the two founding shareholders of CelLynx Group, Inc. whereby in addition to the $170,000 paid, the Company issued 1,250,000 shares of its common stock in exchange for the 63,412,638 shares of CelLynx Group, Inc. and mutual releases were signed between the parties releasing each from any further obligation.

On March 29, 2012, the Company acquired a further interest in CelLynx Group, Inc. by conversion of $73,500 of convertible debt in CelLynx Group, Inc for the issuance of 350,000,000 shares in the capital stock of CelLynx Group, Inc. As a result, in combination with the shares acquired from existing shareholders referred to above, the registrant acquired a 60% controlling interest in CelLynx Group, Inc. and has accounted for that acquisition as a consolidated subsidiary of the registrant effective March 29, 2012.

Subsequent to that acquisition, the Company has converted amounts due, pursuant to the convertible line of credit agreement between the Company and CelLynx Group Inc. as follows;

Date	Amount converted	Shares issued
April 13, 2012	$ 7,700	51,333,333
May 15, 2012	$ 58,500	390,000,000
May 21, 2013	$ 9,375	375,000,000
March 31, 2014	$ 26,250	105,000,000
July 10, 2014	$ 31,620	155,000,000

Each of the conversions reflected in the preceding schedule increased the percentage ownership that the Company holds in CelLynx Group, Inc. to a 60% interest, subsequent to dilution arising from the acquisition of stock by others. At September 30, 2014 the Company had a 60% equity ownership in CelLynx Group, Inc.

Note 12 – Asset Acquisition Agreement

On December 31, 2010, the Company entered into three agreements as follows;

(i) An "Amended and Restated Master Global Marketing and Distribution Agreement."

(ii) An asset purchase agreement

(iii) A line of credit agreement and security agreement

These agreements with CelLynx Group, Inc. provide for the exclusive global marketing and distribution of the 5BARz™ line of products and related accessories and a 50% ownership interest in the 5BARz™ intellectual property. In addition, a revolving line of credit facility has been made available to CelLynx.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 12 – Asset Acquisition Agreement (continued)

On March 29, 2012, the Company and CelLynx Group Inc. entered into an agreement which provided several amendments to the agreement referred to above. As a result of those amendments, the following arrangements between the Companies were established;

i. 5BARz International, Inc. acquired a 60% interest in the patents and trademarks held by CelLynx Group Inc., referred to as the "5BARz™" technology. That interest in the technology was acquired for proceeds comprised of 9,000,000 shares of the common stock of the Company, valued at the date of acquisition at $0.20 per share or $1,800,000 USD. The acquisition agreement also clarified that the ownership interest in the intellectual property does represent that proportionate interest in income earned from the intellectual property.

ii. The Company agreed to make available to CelLynx Group, Inc a revolving line of credit facility in the amount of $2.2 million dollars. Pursuant to this revolving line of credit facility, which was scheduled to expire on October 5, 2013, the Company advanced $2,394,643 to the date of expiry. At September 30, 2013 the Company agreed to extend the term of the line of credit facility to CelLynx Group, Inc., for the lesser of one year, or the time that CelLynx Group,Inc. becomes self sustaining from royalty income. Under the amended terms of the line of credit facility, the Company has the right to convert amounts due under the facility into common stock of CelLynx, at a conversion rate which is calculated at 51% of the average lowest three closing bid prices of the CelLynx Group, Inc. common stock for a period which is ten (10) days prior to the date of conversion. This conversion rate was established previously by other parties that have funded CelLynx, and is being matched by 5BARz. At September 30, 2014, the Company holds 1,489,745,971 shares of the capital stock of CelLynx Group, Inc. and has a balance of $ 2,744,059 principle and interest due under the line of credit facility from Cellynx Group, Inc. On September 30, 2014 the Line of Credit agreement between the parties matured. CelLynx is a consolidated subsidiary of 5BARz International Inc., since March 29, 2012.

iii. Pursuant to the Master Global Marketing and Distribution agreement between 5BARz International Inc and CelLynx Group, Inc., the registrant was obligated to pay to CelLynx Group, Inc a royalty fee amounting to 50% of the Company's Net Earnings, from products or license arrangements related to the 5BARz™ technology, in a ratio equal to the CelLynx proportionate interest in that technology. That fee would be paid on a quarterly basis, payable in cash or immediately available funds and shall be due and payable not later than 45 days following the end of each calendar quarter of the year. The asset acquisition agreement amendment referred to herein specified that the royalties would be paid in relation to the ownership of the intellectual property. In addition as a result of the recent acquisition of a 60% interest in CelLynx Group, Inc. by the registrant, this royalty item is an intercompany transaction which in the future will be eliminated upon consolidation in financial reporting of the consolidated financial results of 5BARz International Inc. and subsidiaries.

Note 13 - Litigation

Prior to the Company’s investment in CelLynx, on July 19, 2010 certain claims for unpaid wages were filed against CelLynx, Inc. Judgments were obtained commencing in August 2011 for back wages by some of its former employees. Some of those claims have been partially paid and others were expected to be paid in the normal course of business or were to be otherwise defended. Those claims have now been incorporated into California Labor Commission awards in favor of those former employees. Those awards total approximately $263,000 depending on interest charges. It is the Company’s intention to pay these amounts. As of September 30, 2014 the Company accrued $263,000 in its financial statements.

The Company’s subsidiary CelLynx Group, Inc. has received a Cease Trading Order from the British Columbia Securities Commission (BCSC) in 2012 alleging that the Company is in violation of the British Colombia reporting requirements. The BCSC has assumed that since two the Company's Directors were domiciled in BC that the company is controlled out of BC and therefore subject to its reporting requirements. The Company denies that premise and is appealing the issuance of the CTO. No directors of the Company are currently resident in British Columbia.

5BARz International, Inc.

Notes To Condensed Consolidated Financial Statements

(Unaudited)

Note 13 – Litigation (continued)

On September 11, 2014, a claim was filed in the District Court of Colorado against the Company claiming unpaid fees related to an investment conference held on October 5, 2012. *Accredited Members, Inc. vs. 5BARz International, Inc. 14CV32449 (Arapahoe County).* The claim in the amount of $9,000 alleges that 5BARz was to pay the conference fee of $4,500 by delivery of $9,000 in common shares of the Company at a price of $0.05 per share, or 180,000 shares. The Company has disputed the claim, and has made the offer to settle the amount claimed by payment of the conference fee of $4,500. The October 5, 2012 conference fee was billed to the Company on February 12, 2014. As of September 30, 2014 the Company has accrued $9,000 in its financial statements.

In addition to the above, the Company may become involved in legal proceedings in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance.

Note 14 – Subsequent events

Sales of Common Stock

During the period October 1, 2014 to October 10, 2014 the Company issued 533,333 units at a price of $0.15 per unit for aggregate proceeds of $80,000. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

Sales of Equity Securities

On October 15, 2014 the Company entered into a Note and Warrant purchase agreement with three parties who have agreed to provide to the Company additional resources to run operations. The parties have agreed to loan up to $1,500,000 pursuant to the terms of a convertible promissory note and warrant agreement. On the closing date, October 6, 2014 the Company received $250,000 cash. The purchasers have agreed that at any time on or before the earlier of (i) the Purchasers' election, or (ii) the execution of an engagement letter by and between the Company and an Investment Banking Firm acceptable to the purchaser relating to the provision of financial advisory services by the Investment Banking Firm to the Company, that the Company will sell Notes representing the balance of the authorized principal amount not sold at the Closing to the Purchasers. This represents additional proceeds to the Company of $1,250,000. The convertible note accrues interest at a rate of 1% per annum and provides for the conversion of the principle and accrued interest on the note into common stock at any time, at the election of the holder at a price of $0.15 per share. Further, the number of warrants to be issued will be equal to the proceeds loaned pursuant to the note and warrant purchase agreement divided by $0.15. The warrant has a term of five (5) years and provides a strike price of $0.20 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Plan of Operations

Business

5BARz International Inc. ("5BARz" or the "Company") is a leading wireless Company which has designed and patented a line of cellular network infrastructure devices for use in the office, home and mobile market places. The Companies products incorporate multiple patented technologies to create a highly engineered, single-piece, plug 'n play device that strengthens weak cellular signals to deliver high quality signals for voice, data and video reception on cell phones and other cellular equipped devices. The 5BARz™ solution represents a critical solution for cellular network carriers in providing a clear, reliable, high quality signal for their subscribers with a growing need for high quality connectivity, especially as relates to the use of data on mobile devices. The Company's products are engineered to incorporate a great number of features more fully addressed herein.

The Company is in the process of developing the global integration of their products through cellular operators, with each sector of integration to be managed in geographic areas. The initial business focus has been Latin America, with formative developments in the US, Western Europe, India, Africa and Asian market sectors.

During the recent quarter, the Company has delivered two prototype products to a cellular network operator in Latin America, one a multi band product and the second a single band device. Cellular networks throughout the world are comprised of variable configurations, using 2G, 3G and 4G LTE technologies, operating on variable bands and frequencies. One of the products that has been developed and delivered with very positive feedback is designed in a configuration that is functional to provide services to 91 Countries globally, with an aggregate subscriber base of 2.98 billion subscribers comprising some of the most significant wireless markets in the world. The Company is now poised for market penetration with this product in 2015 and is expanding it's marketing strategy to address this expansive market. The Company has several other configurations of product in process.

Strategy and focus areas

Our focus is on three foundational priorities;

.

- Leadership in our core business, maintaining the highest standards in developing highly engineered devices to manage cellular signal in the vicinity of the user.
- Effective collaboration with cellular network operators to ensure that our products fully meet their needs in providing their subscriber base with a portfolio of state of the art solutions for maintaining excellence in cellular connectivity.
- Architectural design creation, to facilitate the effective integration of the Companies product into new and innovative applications, for use in automobiles, computers and numerous other areas of application.

The Company is uniquely positioned to take advantage of recent market transitions. As more and more users are migrating to the use of cellular equipped devices for communication, internet access, navigation and even entertainment, consumer demand for clear and consistent cellular signal has never been more important. In our opinion, this evolution driven by mobile device proliferation is in early stages. 5BARz is uniquely positioned to meet this growing demand with their developing line of product.

The Company’s recently introduced, highly evolved innovative, carrier grade device, incorporates technologies and a combination of functionality which represents the most advanced product developed in this market, to date. This next generation cellular network extender, branded as 5BARz™ incorporates patented technology to create a highly engineered, single-piece, plug ‘n play unit that strengthens weak cellular signals to deliver higher quality signal for voice, data and video reception on cell phones, and other cellular equipped devices.

Products

The 2014 ***5BARz Cellular Network Extender*** *unveiled at the Mobile World Congress* in Barcelona, Spain, March 2014

supports 2G & 3G cellular devices for multi-bands or may be factory tuned for a single channel.

4G and LTE devices are scheduled Q1 2015. The technology has successfully integrated both the send and receive antennae into the single device, and hosts an abundance of features which have never before been integrated into a single portable cellular device.

The Company's initial product, *the Road Warrior*, won the prestigious 2010 innovation of the year award at CES (the largest consumer electronics show in the world) for achievements in product design and engineering. The *Road Warrior*, has passed FCC Certification, and has been produced in limited quantities to date by a contract manufacturer in the Philippines.

Management at 5BARz are confident that this new cellular device will alleviate much of the frustration experienced by users globally associated with weak or compromised cellular signal. This technology facilitates cellular usage in areas where structures, create "cellular shadows" or weak spots within metropolitan areas, and highly congested areas such as freeways, and also serves to amplify cellular signal as users move away from cellular towers in urban areas. The market potential of the technology is far reaching.

The market opportunity for the 5BARz™ technology represents some 6.8 billion cell phone subscribers worldwide serviced by 900 cellular network operators. These cellular network operators represent the Company's primary point of entry to the Global marketplace.

The 5BARz business opportunity to bring this state of the art technology to market represents a significant step forward in the deployment of micro-cell technology, referred to as a 'cellular network infrastructure device" in the industry.

The Company announced on August 7, 2014 the delivery of their first highly engineered cellular network extender product, developed pursuant to the previously announced collaboration agreement with a major tier 1, global wireless operator. In conjunction with this delivery, the Company is now expanding the parameters of our Flextronics relationship in order to ramp up manufacturing capabilities in order to respond to the market demand anticipated from this much needed product.

Company History

5BARz was incorporated on November 17, 2008 and is a Nevada Corporation. In 2010 the Company acquired the "Master Global Marketing and Distribution Rights" for the marketing and distribution of 5BARz™ products throughout the world. In addition to the acquisition of the marketing and distribution rights, the Company acquired a 60% interest in the underlying intellectual property comprising the 5BARz™ products, and holds a security interest over the balance of those assets.

On March 27, 2012, 5BARz acquired a 60% controlling interest in CelLynx Group Inc. and it's consolidated subsidiary CelLynx Inc., the Company which commenced development of the 5BARz technology.

On November 10, 2011, the Company incorporated a subsidiary Company in Zurich Switzerland called 5BARz AG. At September 30, 2014, the Company held a 94.2% equity interest in that entity. 5BARz Ag has been granted the exclusive rights by way of a sub-license for the Sales and Marketing of the 5BARz™ products in the region, commonly referred to as the "DACH" in Europe, comprised of Germany, Austria and Switzerland.

During 2012 and 2013, the Company presented the first version of our product, the “Road Warrior” to Cellular Network operators in order to establish market recognition and interest in the product globally. Having established expressions of interest in the product, in June 2013 the Company entered into a collaboration agreement with a leading cellular network operator. Through that agreement, we established a product development program to deliver a product, designed with our partners input that meets their requirements, in order to integrate the product into their portfolio of solutions for network improvement. In November 2013, 5BARz set up an Innovation Center in San Diego California, staffed by a talented engineering team and in addition established significant outsourced engineering and fabrication talent internationally. As a result, a state of the art product was delivered to our collaboration partner announced in August, 2014. The Company is very pleased with the quality of product provided with feature sets that meet and exceed those originally envisioned in our collaboration plan. The Company is equally pleased with the future development programs being developed, which significant expand the horizons of the Company’s product line and our value proposition to the wireless industry.

As the Company’s newest products commence limited production, for distribution and testing by potential partners in locations around the world, our focus moves to the development of high volume manufacturing to meet global demand. Our manufacturing partner Flextronics represents an industry leader in the design, manufacturing, distribution and aftermarket support of electronic products. Flextronics operates through a network of facilities in more than 30 countries with a global workforce of 200,000. The association with Flextronics is a significant factor in establishing speed to market, a support infrastructure that can be relied upon and a driver of competitive positioning.

<u>Milestones</u>

2007: A 5BARz™ working prototype was developed of an affordable consumer friendly single piece plug ‘n play booster with a minimum of 45dB of gain in both up and down paths. This product was comprised of a unique software and hardware configuration which incorporated intuitive technology which operates in a manner which provides a modulated signal improvement I a manner which does not disrupt the network while improving signal stability and signal fidelity.

July, 2008: Dollardex Group entered into an exclusive “Master Global Marketing and Distribution Agreement” (the “Distribution Agreement”) for the 5BARz™ products.

July 2009: First production run and FCC Certification of 5BARz Road Warrior

August 2009: Field testing and final modification of 5BARz Road Warrior

January 2010: 5BARz Road Warrior Selected as CES Innovations 2010 Design and Engineering Award. Marketing commenced in the Philippines for product designated for the US

January 2011: 5BARz International Inc. acquires the “Master Global Marketing and Distribution Agreement” for the marketing and distribution of 5BARz™ products throughout the world, and enters into agreement for the acquisition of a 50% interest in the underlying intellectual property.

January 2011 – 5BARz International Inc. engages sales agents in Latin America, to present prototype products to R&D departments at major wireless carriers in the region, with positive results.

July 2011 – The Company received initial purchase order for the balance of limited production of the 5BARz Road Warrior units comprised of 16,000 units or a $3.2 million dollar purchase order. The first 1,000 units of this order was shipped early in 2014.

March 2012 – 5BARz incorporated a subsidiary Company, 5BARz Ag, and sub-licensed that entity the Sales and Marketing Rights for the region commonly referred to as the “DACH”, (Germany, Austria and Switzerland). The Company engaged the services of BDC Investment Ag, of Zurich, Switzerland to finance that entity and develop within the German speaking European marketplace.

February/March 2012 – The Company formed an Advisory Board comprised of leading executives within the technology sector to assist in the integration of the 5BARz™ technology and products into global markets. See bios in news – www.5BARz.com

Dr. Gil Amelio – Director ATT, Former CEO – Apple Computer

Mr. Marcelo Caputo – CEO Telefonica USA

Mr. Finis Connor – Founder of Seagate Technology and Connor Peripherals

March 2012 – 5BARz International Inc. completed the acquisition of a 60% interest in CelLynx Group, Inc. (the originator of the 5BARz™ technology), developing a fully integrated subsidiary for the global deployment of the 5BARz™ business opportunity.

August 2012 – Internal Engineering develop functional prototype units of the revised cradle-less 5BARz™ cellular network extender with several new and improved features over the Road Warrior unit.

June 2013 – Company enters into a Technical Collaboration with a leading international Cellular Network Operator, to deliver a network extender that will be designed and built, based upon the 5BARz™ patented technology, to meet the specific requirements of that wireless network operator.

October 2013 – Company opens its state-of-the-art "innovation center" in San Diego, California. The center houses the 5BARz' engineering division as it expands operations to accelerate development of the 5BARz™ technology.

November 2013 – 5BARz appoints Dr. Gil Amelio, former CEO of Apple Computers as Chairman of the Board of 5BARz International Inc.

February 2014 – 5BARz Innovation Center files several new patent applications.

February 2014 – 5BARz International, Inc. unveils the 5BARz Network Extender at the Mobile Wireless Congress in Barcelona, Spain. This new product is a highly evolved, innovative, carrier grade technology and device that delivers much improved cellular signals, enhanced voice, data, and video reception, on cellular equipped devices.

April 2014 – 5BARz International Inc. partners with Flextronics to scale to high volume manufacture and supply chain solutions for the Company's network extender device.

August 2014 - Former CEO of Telefonica USA, Mr. Marcelo Caputo joins 5BARz team to spearhead international expansion and drive growth in Latam markets.

August 2014 – 5BARz announced that it has delivered its first 5Barz dual band Network Extender to its previously announced collaboration partner, a major tier 1 carrier, for testing and qualification on its network.

October 2014 – 5BARz delivers several new prototypes to its collaborative partner for testing. These products are configured to be operationally effective in 91 countries globally.

The Market Opportunity

The market opportunity for the 5BARz™ technology represents more than 6.8 billion cell phone subscribers worldwide and is growing as a result of the following factors;

- Dead zones, weak signals, and dropped calls are the biggest problems in the industry. Now, by adding internet and video, the quality issue is increasing exponentially.
- 76% of cellular subscribers use their mobile phone as the primary phone
- More consumers are using mobile phones for web browsing, up and down-loading photos, videos and music
- More mobile phones are operating at higher frequencies which have less ability to penetrate buildings
- Weak signals make internet applications

- inaccessible and slow and increase the drain on cell phone batteries. Forty percent of all mobile phone users report inadequate service in their homes or office and we estimate that 60% of the 6.8 billion mobile phone users worldwide consider continuous connectivity to be very important.

Consumer demand for quality in the cell phone user experience is becoming an increasingly important factor. The 5BARz™ technology meets this need. 5BARz is currently developing relationships with Cellular network operators internationally to integrate the 5BARz™ product into cellular networks globally.

Why Poor Signals Exist

A variety of factors may cause dropped calls and dead zones, including congestion, radio signal interference, tower hand-off, and lack of coverage. Despite continued infrastructure investment by operators, and antenna technology improvements by base station providers and mobile phone makers, these problems will continue for the foreseeable future. This is because many of the contributing factors can't be controlled by the operators and manufacturers. To understand how innovative 5BARz™ products are in improving phone signals, it's first important to understand the causes of poor signal quality.

Congestion

In 1999, sales of mobile phones surpassed combined sales of personal computers and automobiles. By 2010, mobile phones had replaced land-line phones in 30% of U.S. households. Smart phones, led by iPhones and Android phones, have become indispensible personal assistants. Laptop computer sales outnumber desktop computer sales, and most laptops are equipped with cellular data chipsets or USB modems. Apple's iPad has sparked the connected tablet market too. Vending machines, automobiles, mobile sensors, and many other devices include "machine to machine" cellular data modules. As a result, the number of cellular voice and data devices will soon exceed the number of people on Earth.

If sheer numbers weren't enough, new uses for mobile devices are causing even faster growth in bandwidth usage. Obvious uses include video entertainment, videoconferencing, downloaded and streaming music, MMS, email, and application downloads. Facebook, Twitter, Foursquare, and many other social networking applications put further load on operator networks. Also, surprising sources of traffic have emerged, such as deliberate "miscalls". A miscall is when one subscriber calls another, but hangs up before the receiving party answers. Since operators don't charge for these uncompleted calls, subscribers are using miscalls as a free way to communicate. In India, orders for milk are made this way. In Syria, five miscalls in a row signals the recipient to "go online" to the Internet and chat. In Bangladesh, it's estimated that up to 70% of traffic at peak times is due to miscalls. This practice isn't limited to countries with low per-capita income, and yet it places a high load on operator networks.

There are sources of congestion based on location and time, too. Transportation clusters like airports, major highway intersections, bridges, and toll road gates all bring many people together at peak times. Also, because of home land-line replacement, many residential neighborhoods have many mobile phones in simultaneous use in mornings and evenings. Lastly, local population growth and immigration can result in too many phones for existing infrastructure. Due to long planning times, investment requirements, local government permits, and construction time, it's difficult for infrastructure to keep up with the pace of change in many developing areas, especially in growth countries.

Radio Signal Interference

Interference comes from both obvious and subtle causes. Certain materials aren't transparent to radio signals, especially durable materials used in buildings, large structures, and even automobiles. As a result there are radio shadows in which a mobile phone can't sense the signal from a base station. In addition, radio signals from adjacent channels or reflected signals can interfere with each other due to wave cancellation effects. In some cases these forms of interference primarily attenuate the signal (make it weaker). However, interference can also add noise, so that the ratio of signal to noise becomes too low for the mobile phone and the base station to understand each other.

Tower Hand-Off

Mobile phone networks are called "cellular" networks because they are made up of overlapping areas of coverage that are provided by base stations in fixed locations. As a mobile subscriber travels by automobile or train, he will eventually reach the limit of a base station's coverage. At that point, his mobile phone will "hand off" to a base station for the next coverage area. If signal quality is poor due to interference, or if the new base station is congested with too many mobile phones, the subscriber's connection may be lost.

Lack of Coverage

Some rural or developing areas don't have enough people or population density for operators to justify the cost of installing base stations except at wide intervals. In these areas the signal strength from the base station or the mobile phone may be too low to create or maintain a connection. This results in "dead zones" or dropped calls.

Solutions to Poor Signal Quality

Operators know that dead zones, dropped calls, and poor voice quality are big problems, and that re-dialing while driving can be unsafe. Operators also are concerned about subscribers' ability to make emergency calls. They understand that people rely on mobile phones for business and connecting with family. As mobile phones replace landlines, operators are especially aware that mobile signal quality is critical. Operators also see that wireless data is increasingly important for personal and business use.

To help, operators work with phone and base station manufacturers to improve antenna performance. They invest in new base stations in growth areas. They invest in technologies that enable more connections per base station. Operators have even provided refunds for dropped calls.

However, many factors causing poor signal quality can't be controlled by operators. Therefore products have emerged to help, provided by operators or companies who sell to either operators or subscribers.

Femtocells

Operators can provide femtocells to subscribers with poor signal quality at home. Usually the subscriber pays for hardware, installation, or a monthly fee. Femtocells are carrier grade, and are like small base stations that communicate with operators by using the home Internet connection as a "backhaul". In addition to backhaul the incoming call is routed thru the internet as well, which leads to the degradation of a call when trying to access the internet as well as engaging in a call. Lastly, femtocells only work with phones from one operator, so families with phones from multiple operators may have to request multiple femtocells.

Repeaters

Repeaters are usually carrier-grade equipment and are programmed for a specific operator. They extend cellular networks into buildings and small offices. As with femtocells, installation is complex and if not done properly they can cause network problems. Unlike femtocells, repeaters do not use the local Internet connections, but rather receive and re-transmit the signals between base stations and mobile phones.

Boosters

Boosters are usually sold online and through retail. They vary widely in amplification power, quality of amplification, and power balance. For example, these products amplify signals at 1, 3, 5, or even 10 watts all the time. Using power over 1 watt increases the probability that a booster will interfere with surrounding mobile devices. Also, it would be more energy efficient to adapt amplification power as needed, rather than to simply use the same wattage constantly. Many boosters don't support balanced power in both directions between base station and mobile phone. This may result in only solving the signal quality problem in one direction. Since communication is bi-directional, this doesn't actually solve the problem. Varying quality of amplification also introduces noise, which can interfere with surrounding devices. Further, in order to avoid a feedback loop, Boosters have to be separated into at least two units, a receive and send antennae. The communication between these two units in some applications utilize wires, in others, utilize a 5Mhrtz signal which is high frequency and does not penetrate building structure well, also subject to WiFi interference. These units are costly and require installation effort, to sustain signal quality. The manufacturing cost is more than 2 times that of the 5BARz unit, and they have relatively high power consumption to operate.

A New Class of Solution

5BARz has evaluated the causes of poor signal quality, the needs of both operators and subscribers, and the solutions in the market. Femtocells, repeaters, and boosters either don't solve all parts of the problem, or aren't optimal due to cost or other drawbacks. Using expertise starting with a team of engineers who designed sophisticated base station amplifiers for operators, 5BARz has developed a new class of carrier-grade technology. That engineering team grew to a multi-national teams of engineers working on project specific challenges integrated into the 5BARz™ products. The result is a highly engineered hybrid of repeaters and boosters, intended for use in automotive applications, home, and office. 5BARz has tested these products in the lab, in the real world, and with operators. These products advance the state of the art to provide the following advantages:

Low Power Use

5BARz™ products only amplify when required. The automotive products use less than 1/2 watt, while the home product uses less than 1 watt. This not only saves energy, but also minimizes interference with other wireless devices and the network itself. In fact, new rules being proposed by the U.S. Federal Communications Commission are expected to mandate low power standards such as 5BARz now provides.

Simple Setup

5BARz™ products don't require a technician to run wires, carefully determine proper location, or optimize orientation. No use of home Internet connection is required, and there are no switches or settings. The unit has a simple plug and play installation requirement.

Balanced Amplification

This feature, plays a key role in ensuring that the product does not interfere with the macro network, and is a feature covered by the Company's patented technology. Receive and sent signals need automatic balance management in order for both directions of a communication channel to be improved. 5BARz™ products are not only *smart* about adapting amplification levels, but also about balancing amplification for incoming signals from the base station, and return signals from the mobile phone. This attribute is critical in that it ensures that the operation of the unit automatically avoids interference with the Macro Network. This automated process is a part of the 5BARz™ patented technology.

Signal Stability

5BARz has done extensive design, testing, and re-design to avoid a number of problems experienced by the antenna design of alternatives. For example, booster products can experience oscillations when people, animals, or vehicles move nearby. These oscillations can weaken the booster effect or cause interference with other wireless devices. Many booster products achieve size similar to 5BARz™' products by putting antennas close together in the same product package, but don't optimize radio wave interactions between those antennas. This weakens the boosters' effectiveness, and is one reason why other manufacturers compensate by using too much wattage, in turn wasting power and increasing the probability of interfering with other radio frequency devices and the network.

Integrated Antennae

The Company has developed and patented technology which facilitates the integration of both the receive and transmit antenna into the single device, without creating a feedback loop. This represents a very significant technological advance permitting the unit to be a self contained plug and play consumer electronic.

Broadband / Narrow band support

The Company's products can provide amplification for bands from 5 to 60 Mhz.

Smart signal processing

The Company's product is also capable of "interference & echo" cancellation, in addition to automatic noise suppression. As a result, the signal that reached your cell phone is both better quality and a stronger signal.

Self regulating intelligent power management

The unit is designed to sense cellular signal strength and will automatically adjust amplification to optimum levels.

Enhanced cell phone user experience

The 5BARz unit covers an area of some 4,000 square feet, providing a much increased voice experience and increased data throughput. In addition, the cell phone handset can experience power savings up to 80%.

Additional features

- May be factory tuned for specific channel or frequency
- Multi band 2G/3G support with 4G LTE coming soon
- No back-haul (internet access) required
- No latency

- NOC capable – Network operator may control the unit when required
- SON – Self Organizing Network capable – improving performance automatically.

11

Intellectual property

Title	Patent Application	Patent Issued
Cell Phone Signal Booster	11/625331 – US	8005513
Dual Cancellation Loop Wireless Repeater	12/106468 – US	
Wireless repeater	13/214983 – US	
Wireless Repeater Management Systems	12/328076 – US	
Dual Loop Active and Passive Repeater Antenna Isolation Improvement	12/425615 – US	
5BARz™ Trademark	78/866260	3819815
Multi-Band Wireless Repeater – CN	200980146487.1	
Multi-Band Wireless Repeater – IN	2288/DELNP/2011	
Multi-Band Wireless Repeater – KR	(PCT) 10-2011-7009297	
Multi-Band Wireless Repeater – MX	MX/a/2011/002908	301028
Multi-Band Wireless Repeater – US	12/235313	8027636
Remote Management of Network Extenders	61/943319	
High Gain Wireless Repeaters	61/943145	
Self Organizing Network Extenders	61/943797	

Comparative Analysis

	5BARz	Femtocell	Traditional Repeaters
Options for Consumer	Plug and play solutions that significantly improves wireless service	Carrier-specific box that connects to the internet through the broadband service at the home and acts like a short-range network tower site	Bi-directional amplifier and external antennas Installation of antennas required with minimum spacing of 35 feet or more between the antennas Need to determine what the two pieces of equipment, cables, and multiple power cords are for
Easy to Understand	Simply place the unit where there is some or marginal wireless service, turn on the unit and the voice and data wireless service is improved for everyone	Connect the unit to your broadband service where your router is located and the **voice only** wireless service should be improved throughout the home	Complex manual … Determine the ideal location for both antennas, outdoor network antenna and indoor coverage antenna, then determine ideal location for the bi-directional amplifier for proper cable routing to the antennas
Cost	One-time equipment charge only$299 5BARz Road Warrior	Equipment charge $250 for each carrier, 2 carrier house or SOHO equals $500 equipment charge Equipment won't work if you change carriers Possible monthly fee Requires use of broadband service	Equipment charge starting at $350 for dual band Professional installation starting at $200Higher performance antennas starting at $100
Setup	Plug 'n play No adjustments One part works for all carriers	Carrier-specific set up May require ISP support Currently Voice Only	Go on roof to measure signal level; outdoor network antenna placement based on testing for 2 bars or more signal strength Antennas need to be spaced 35 feet or more apart
Reliability	Designed by engineers and brought to production by managers trained in the Six Sigma quality process Self contained, fewest cables/connectors Oscillation suppression circuitry	Broadband vulnerable: Degraded broadband throughput Power outage Depends on carrier down/power down on carrier command Intermittent handoffs with macro network	External antennas less reliable Connectors Outdoor mounting Oscillation prone
Installation	None; Plug 'n play		

	Needs to be collocated with broadband service GPS antenna may need to be installed near a window with a cable going to the femtocell	Professional installation recommended

13

Products and Markets

To date the Company has introduced two products to market incorporating the 5BARz™ patented technology as follows;

5BARz Network Extender	5BARz Road Warrior
Specifications: System Gain: up to 95 dB Physical dimensions: 140 X 100 X 41 mm Weight: 300 Grams Number of simultaneous users: 10 Frequency bands supported: 2100, 850, 900, 1700 Modes: 3G/2G (Next version will support 4G) and 1800 Power consumption: 5W EIRP (uplink): 25 dBm EIRP (downlink): 10 dBm Flatness: +- 0.5dB Noise figure: < 3.5 dB Operating Temperature: 0 to 40 degrees C External supply: 100 – 240 VAC Commercial Grade Hardware Complies with new FCC requirements for BBA sold in the USA after March 2014	**Specifications:** Maximum input power: +20 dBm Output power: 0.25 watt average /1 watt maximum Service Antenna: Cigarette lighter/power cord antenna Frequency Bands: Full-band US Cellular and full-band US PCS System gain Cell/PCS: 40/45 dB, self-optimizing System noise figure: 5 dB nominal at maximum gain Power Supply: 12 VDC Power dissipation: 6 Watts Dimensions: 5.0 x 4.75 x 1.35 Weight: 1 lb (0.45kg)

Markets and marketing strategy

The Company's primary entry point to markets is through collaborative arrangements with Cellular Network operators. That market is comprised of 6.8 billion cellular subscribers globally;

During 2011 through 2013, the Company introduced the initial product, the Road Warrior, to major wireless operators for the purpose of their analysis of the 5BARz™ technology. It is the objective of management, that the 5BARz™ products and technology be integrated into the network infrastructure of selected cellular network operators. The intent is to work with cellular network operators in integrating the fixed cellular network extenders, designed for use in the home or office markets.

The more advanced, fixed unit was first unveiled to the market in February 2014 at the Mobile World Congress in Barcelona Spain. The Company had commenced a collaboration agreement in July 2013 with a tier1, international cellular network operator whereby the Company was presenting a unique product for exclusive use on that operators network. Under that collaborative agreement the Company has delivered its first completed test product in August 2014 and a further set of units in October 2014. That program is in the process of expansion, from its inception to date with the Company building of custom product for numerous geographic regions as well as the commencement of establishing collaborative arrangements with a greater number of network operators. Currently, Flextronics have received a purchase order from the Company for the manufacture of an inventory of demonstration units of the newly designed "Cellular Network Extender" to commence introductions of the product to select network operators in geographic regions internationally.

The mobile cellular network extenders (Road Warrior's), which are not carrier specific are to be marketed through more conventional distribution channels. The Company commenced shipments of that unit with the shipment of an initial order of 1,000 units into Mexico in early 2014. This unit is now undergoing a major revision based upon our newly developed technologies, with that new product to be delivered to the market through an innovative retail mixed marketing strategies.

In addition, it is the intent of management to design future applications of the Company's technology that will be integrated into the marketplace through the redesign of the products, working in collaboration with Original Equipment Manufacturer's (OEM's), such as with automobile manufacturers, computer manufacturers, mobile home manufacturers etc.

The Company has been expanding its employee/consultant base in select regions around the world, due to significant product interest and the near term availability of product designed to operate in 91 countries. Further the Company has set a structure for the development of specific markets in Europe, through a subsidiary operation 5BARz AG in

Zurich Switzerland.

The DACH MARKET – 5BARz AG

The DACH/D-Deutschland or Germany, A-Austria and CH-Switzerland group of countries in the European Union represents one of the most technologically advanced and progressive sectors of that economic group representing a German speaking majority population base of 90.3 million people, comprised of Germany with 78.3 million, Austria, 7.4 million, and Switzerland, 4.6 million

Formation of Subsidiary Company, 5BARz AG

On November 10, 2011, 5BARz International Inc. commenced the organization under the laws of Switzerland, in the Canton of Zurich, a wholly owned subsidiary called 5BAR AG. The newly formed subsidiary has appointed two directors, one of which, Mr. Daniel Bland is the President, CEO and a Director of the registrant. The other Director is Mr. Peter Burkhardt of Oberengstringen, Zurich, Switzerland. On October 19, 2011, 5BARz International Inc. entered into a Marketing and Distribution agreement with 5BARz AG (a perpetual license agreement), through which 5BARz AG holds the exclusive rights for the marketing and distribution of products produced under the 5BARz™ brand for markets in Switzerland, Austria and Germany.

Results of Operations

Three month period ended September 30, 2014 compared to three month period ended September 30, 2013.

	3 Months ended September 30 2014	3 Months ended September 30, 2013	Difference
Amortization and depreciation	$92,602	495	92,107
Bank charges & interest	27,290	15,889	11,401
Sales and marketing expenses	336,332	36,514	299,818
Research & development	1,115,386	201,958	913,428
General and administrative	748,043	770,506	(22,463)
Total Operating Expenses	2,319,653	1,025,362	1,294,291
Other income (expenses)	(79,654)	84,714	(164,369)
Net Income (Loss)	$(2,399,307)	(940,648)	(1,458,659)

The three months ended September 30, 2014 reflects a net loss of $2,399,307 representing an increase in the loss of $1,458,659 compared to the corresponding three month period loss of $940,647 for the period ended September 30, 2013.

The most significant portion of that operating expense increase is the $913,428 in research and development expenses, resulting from the Company's team of engineers and outside consultants, working in conjunction with our collaborative partner, building prototype units provided to cellular network operators for adoption by them as a part of their solutions for improved connectivity for their subscribers. The Company's Innovation Center in San Diego California is fully operational at this time and did not exist in the corresponding quarter of the prior fiscal year. This represents the operational center for the 5BARz research and development efforts.

The Company's net loss during the three month period ended September 30, 2014 was $2,399,307 or $0.01 per share compared to a loss from operations of $940,647 or $0.01 per share during the three months ended September 30, 2013. The weighted average number of shares outstanding was 186,700,918 for the three month period ended September 30, 2014 compared to 125,414,735 for three month period ended September 30, 2013

Nine month period ended September 30, 2014 compared to nine month period ended September 30, 2013.

	9 Months ended September 30 2014	9 Months ended September 30, 2013	Difference
Amortization and depreciation	$129,432	1,623	127,810
Bank charges & interest	45,516	44,857	659
Sales and marketing expenses	691,188	127,882	563,306
Research & development	3,192,105	305,958	2,886,146
General and administrative	3,042,945	1,753,912	1,289,033
Total Operating Expenses	7,101,186	2,234,232	4,866,954
Other income (expenses)	(65,209)	120,339	(185,548)
Net Income (Loss)	$(7,166,395)	(2,113,893)	(5,052,502)

The nine months ended September 30, 2014 reflects a net loss of $7,166,395 representing an increase in the loss of $5,052,502 compared to the corresponding nine month period loss of $2,113,893 for the period ended September 30, 2013. This increase in expenses was comprised of an increase in research and development costs in The Company's Innovation Center in San Diego California of $2,886,146, in addition the General and Administrative expenses have also increased by $1,289,033 during the nine months ended September 30, 2014, these expenses are comprised in the most part of consulting ($593,345) and investor relations ($545,231) expenses and stock based compensation of $576,703, related to the acceleration of financings underway and general expansion of the Company's operations. These fees reflect a growing group of individuals involved with the Company as its growth begins to accelerate.

The Company's net loss during the nine month period ended September 30, 2014 was $7,166,395 or $0.04 per share compared to a net loss of $2,113,893 or $0.02 per share during the nine months ended September 30, 2013. The weighted average number of shares outstanding was 173,911,252 for the nine month period ended September 30, 2014 compared to 118,545,298 for nine month period ended September 30, 2013.

The Company's financial statements have been prepared assuming that the Company will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

The company will require additional capital to meet its' long term operating requirements. The Company expects to continue to raise additional capital through a multi faceted strategy to include the further sale of equity securities, sales of equity securities by subsidiary Companies, and factoring facilities as the Company's sales progress.

In November 2011 the Company engaged BDC Investment AG, from Zurich, Switzerland to raise equity capital for the Company through the sale of up to 49% of the Company's subsidiary, 5BArz AG, common stock. 5BARz AG was incorporated in Zurich Switzerland and engaged in the marketing and distribution of the 5BARz products in Switzerland, Germany and Austria. The financial results provided above also reflect the results of operations of CelLynx Group, Inc. (a Nevada Corporation) and its wholly owned subsidiary CelLynx, Inc. (a California Corporation) since the date of acquisition March 30, 2012.

Liquidity and Capital Resources

As at September 30, 2014

As at September 30, 2014, the reporting issuer's current assets were $372,878 and current liabilities were $2,954,753, which results in a working capital deficit of $2,251,875. As at September 30, 2014, current liabilities were comprised in the most part of liabilities that were incurred by CelLynx Group, Inc. in the aggregate amount of $1,089,904 of which $1,087,498 are liabilities incurred in the early stages of development of CelLynx, prior to the acquisition of the Company by 5BARz, and the liabilities are several years old. During the nine months ended September 30, 2014 the Company completed private placements for cash of $4,029,545, issued shares for services in the amount of $483,970 and issued shares for debt aggregating a further $105,000.

As at September 30, 2014, the Company's total assets were $5,097,760 comprised of intellectual property in the amount of $3,339,875 and goodwill arising on the acquisition of CelLynx Group, Inc. in the amount of $1,140,246. The intellectual property represents the technology, patents and patent applications and trademark registrations and license related to the 5BARz technology by the combined entity. In addition the Company has deposits and prepaid expenses of $68,900 in Switzerland related to their office and operations in 5BARz AG.

As at September 30, 2014, the Company's total liabilities were $ 3,019,491, comprised of current liabilities as described above. The increase in liabilities as at September 30, 2014 from year ended December 31, 2013 of $886,338 was a combination of a decline in notes payable, in that the Company settled $105,939 in notes payable for cash and an increase in both accounts payable due to the accelerated expenditures in the Company's Innovation Center in San Diego California, and outside engineering services contracted by the Company and a derivative liability of a convertible note.

Stockholders' equity decreased from an equity at December 31, 2013 of $3,360,578 to an equity balance of $2,078,269 at September 30, 2014. This decrease of $1,282,309 is attributable in the most part to equity transactions during the nine months ended September 30, 2014 of $5,883,906 being offset by a loss during the period of $7,166,395.

Cash Flows from Operating Activities

For the nine month period ended September 30, 2014, net cash flows used in operating activities was $4,356,631 consisting primarily of cash used for general and administrative expenses and research and development costs.

Cash Flows from Investing Activities

For the nine month period ended September 30, 2014, net cash flows used in investing activities was $100,679 comprised of expenditures on furniture and equipment assets, for the Company’s Innovation Center in San Diego, as well as $24,577 paid for the filing of additional patent applications.

Cash Flows from Financing Activities

The Company has financed operations primarily from the issuance of equity. For the nine month period ended September 30, 2014, net cash flows provided from financing activities was $4,071,429 comprised of proceeds from the sale of common stock in the amount of $4,029,545 and the repayment of convertible notes in the amount of $105,939 and payment of principle amounts due under a capital lease of $35,726.

We expect that working capital requirements will continue to be funded through further issuances of securities, from the sales of equity in future subsidiaries licensed to sell 5BARz product in foreign jurisdictions and from proceeds generated by sales, or through the leverage of these payments.

Plan of Operation and Funding

The Company has entered into a series of private placements over the past several quarters to finance operations. Existing working capital, further sales of equity securities, funding through the sale of equity securities from subsidiary operations and anticipated cash flow are expected to be adequate to fund our operations over the next twelve months. We have no bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt and an increase in liabilities due from individuals and businesses that work with the Company. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) development and marketing of our product; and (ii) working capital. We intend to finance these expenses with further issuances of securities. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

Material Commitments

On January 11, 2011, the Company assumed a material commitment to CelLynx Group, Inc. to make available under the terms of a line of credit agreement $2.2 million dollars, expiring October 5, 2013. On September 30, 2013 the Company agreed to extend the funding of CelLynx Group, Inc. under the terms of an amended Line of Credit Agreement. At the date of the extension of the line of credit agreement, the balance due to 5BARz International, Inc. was $2,503,764. This is a subsidiary Company, and this funding will be paid when proceeds are available. The commitment to fund and debts provided under the line of credit agreement mature in the lesser of one year or when CelLynx earns sufficient royalty income to become self sustaining. The line of credit agreement matured on September 30, 2014. The balance due to 5BARz International, Inc., by Cellynx Group, Inc., under the line of credit agreement, principle and interest on September 30, 2014 was $2,786,576.

On July 24, 2013 the Company entered into a lease agreement in San Diego for facilities, which commenced on October 1, 2013. Pursuant to the terms of that lease, the Company committed over a period of 39 months to minimum lease payments of $281,154.

In May 2014 the Company entered into a commitment to expand the Companies leased facilities in San Diego for a period of 66 months. As a result, effective September 1, 2014, the future minimum lease payments for the existing and expanded facilities will be $1,424,110.

Purchase of Significant Equipment

On November 1 2013, the Company entered into an agreement for the acquisition of R&D equipment for use by their engineering group in their innovation center in San Diego, in the amount of $180,000 paid over three years. On September 30, 2014 the remaining balance under the terms of the lease was $124,738

Off-Balance Sheet Arrangements

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Going Concern

In our Annual Report on Form 10-K for the year ended December 31, 2013, our independent auditors included an explanatory paragraph in its report relating to our financial statements for the years ended December 31, 2013 and 2012, which states that we have incurred negative cash flows from operations since inception, and expect to incur additional losses in the future and have a substantial accumulated deficit. These conditions give rise to substantial doubt about our ability to continue as a going concern. Our ability to expand operations and generate additional revenue and our ability to obtain additional funding will determine our ability to continue as a going concern. Our condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have prepared our financial statements assuming that we will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business.

Recent accounting pronouncements

In June 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-10, “Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation." This ASU removes the definition of a development stage entity from the ASC, thereby removing the financial reporting distinction between development stage entities and other reporting entities from GAAP. In addition, the ASU eliminates the requirements for development stage entities to (1) present inception-to-date information in the statements of operations, cash flows, and stockholders' equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. This ASU is effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. The Company has elected to adopt this ASU effective with the June 30, 2014 Quarterly Report on Form 10-Q and its adoption resulted in the removal of previously required development stage disclosures.

In August 2014, the FASB issued ASU 2014-15 on "Presentation of Financial Statements Going Concern (Subtopic 205-40) - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". Currently, there is no guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments in this ASU provide that guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted. The Company has elected to adopt this ASU effective with this Quarterly Report on Form 10-Q and its adoption resulted in the additional disclosures in note 1, reflecting management's assessment of the mitigating effect of management's plans on the Company's ability to continue as a going concern.

FASB, the Emerging Issues Task Force and the SEC have issued certain other accounting standards, updates, and regulations as of September 30, 2014 that will become effective in subsequent periods; however, management does not believe that any of those updates would have significantly affected our financial accounting measures or disclosures had they been in effect during 2014 or 2013, and it does not believe that any of those pronouncements will have a significant impact on our consolidated financial statements at the time they become effective.

Critical Accounting Policies and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Intangible assets

Acquired patented and unpatented technology, licensing rights and trademarks are capitalized at their acquisition cost or fair value. The legal costs, patent registration fees, and models and drawings required for filing patent applications are capitalized if they relate to commercially viable technologies. Commercially viable technologies are those technologies that are projected to generate future positive cash flows in the near term. Legal costs associated with applications that are not determined to be commercially viable are expensed as incurred. All research and development costs incurred in developing the patentable idea are expensed as incurred. Legal fees from the costs incurred in successful defense to the extent of an evident increase in the value of the patents are capitalized. Capitalized costs for patents are amortized on a straight-line basis over the remaining twenty-year legal life of each patent after the costs have been incurred. Once each patent or trademark is issued, capitalized costs are amortized on a straight-line basis over a period not to exceed 20 years and 10 years, respectively. All research and development costs incurred in developing the patentable idea are expensed as incurred. The licensing right is amortized on a straight-line basis over a period of 10 years.

Goodwill

Generally accepted accounting principles in the United States require the Company to perform a goodwill impairment test annually and more frequently when negative conditions or a triggering event arise. After an assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test.

Foreign currency translation

Transactions in foreign currencies have been translated into US dollars using the temporal method. The functional currency of the Company's subsidiary 5BARz AG, is its local currency (Swiss Franc – CHF). Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets have been translated at the historical rate of exchange prevailing at the date of the transaction. Expenses have been translated at the exchange rate at the time of the transaction. Realized and unrealized foreign exchange gains and losses are included in operations.

Impairment or disposal of long-lived assets

The Company applies the provisions of Accounting Standards Codification ("ASC") Topic 360, "Property, Plant, and Equipment," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal.

Impairment or disposal of long-lived assets

The Company applies the provisions of Accounting Standards Codification ("ASC") Topic 360, "Property, Plant, and Equipment," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal.

Accounting for Derivatives

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, “Derivatives and Hedging”. The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liability at the fair value of the instrument on the reclassification date.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the risk of loss from adverse changes in market prices and interest rates. We do not have substantial operations at this time so they are not susceptible to these market risks. If, however, they begin to generate substantial revenue, their operations will be materially impacted by interest rates and market prices.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of September 30, 2014. Based on this evaluation, our principal executive officer and principal financial officers have concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act, including this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. The design of any system of controls also is based in part on certain assumptions regarding the likelihood of certain events, and there can no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Given these and other inherent limitations of control systems, these are only reasonable assurance that our controls will succeed in achieving their stated goals under all potential future conditions.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with United State's generally accepted accounting principles (US GAAP), including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Based on this assessment, Management concluded the Company did not maintain effective internal control over financial reporting as of September 30, 2014.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

An internal control material weakness is a significant deficiency, or aggregation of deficiencies, that does not reduce to a relatively low level the risk that material misstatements in financial statements will be prevented or detected on a timely basis by employees in the normal course of their work. An internal control significant deficiency, or aggregation of deficiencies, is one that could result in a misstatement of the financial statements that is more than consequential.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 30, 2014, and this assessment identified the following material weaknesses in the company’s internal control over financial reporting:

- A system of internal controls (including policies and procedures) has neither been designed nor implemented.

- A formal, internal accounting system has not been implemented.

- Segregation of duties in the handling of cash, cash receipts, and cash disbursements is not formalized.

Therefore, we have relied heavily on entity or management review controls to lessen the issue of segregation of duties.

This quarterly report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Quarterly Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation other than those articulated below. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our company, other than those articulated below.

Prior to the Company's investment in CelLynx, on July 19, 2010 certain claims for unpaid wages were filed against CelLynx, Inc. Judgments were obtained commencing in August 2011 for back wages by some of its former employees. Some of those claims have been partially paid and others were expected to be paid in the normal course of business or were to be otherwise defended. Those claims have now been incorporated into California Labor Commission awards in favor of those former employees. Those awards total approximately $263,000 depending on interest charges. It is the Company's intention to pay these amounts. As of September 30, 2014 the Company accrued $263,000 in its financial statements.

The Company's subsidiary CelLynx Group, Inc. has received a Cease Trading Order from the British Columbia Securities Commission (BCSC) in 2012 alleging that the Company is in violation of the British Colombia reporting requirements. The BCSC has assumed that since two the Company's Directors were domiciled in BC that the company is controlled out of BC and therefore subject to its reporting requirements. The Company denies that premise and is appealing the issuance of the CTO. No directors of the Company are currently resident in British Columbia.

On September 11, 2014, a claim was filed in the District Court of Colorado against the Company claiming unpaid fees related to an investment conference held on October 5, 2012. *Accredited Members, Inc. vs. 5BARz International, Inc. 14CV32449 (Arapahoe County).* The claim in the amount of $9,000 alleges that 5BARz was to pay the conference fee of $4,500 by delivery of $9,000 in common shares of the Company at a price of $0.05 per share, or 180,000 shares. The Company has disputed the claim, and has made the offer to settle the amount claimed by payment of the conference fee of $4,500. The October 5, 2012 conference fee was billed to the Company on February 12, 2014. As of September 30, 2014 the Company has accrued $9,000 in its financial statements.

In addition to the above, the Company may become involved in legal proceedings in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance.

ITEM 1A. RISK FACTORS

Need For Additional Financing

The Company has very limited funds, and such funds may not be adequate to take advantage of current and planned business opportunities. Even if the Company's funds prove to be sufficient to acquire an interest in, or complete upon transactions contemplated, the Company may not have enough capital to fully develop the opportunity. The ultimate success of the Company may depend upon its ability to raise additional capital. As additional capital is needed, there is no assurance that funds will be available from any source or, if available, that they can be obtained on terms acceptable to the Company. If not available, the Company's operations will be limited.

Ability to continue as a going concern

The Company has incurred net losses of $2,339,339 and $4,767,089 for the three and six months ended June 30, 2014. The Company has earned no revenues to date. Consequently the Company’s future is dependent upon their ability to obtain financing and to execute upon their business plan and to create future profitable operations for the business. These factors raise substantial doubt that the Company will be able to continue as a going concern. In the event that the Company cannot raise further debt or equity capital, or achieve profitable operations, the Company may have to liquidate their business interests and investors may lose their investment.

Lack of profitable operating history

The Company faces all of the risks of a new business and the special risks inherent in the investigation, acquisition, and involvement in a new business opportunity. The Company must be regarded as a new or "start-up" venture with all of the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject, and consequently has a high risk or failure.

We may be subject to significant foreign currency exchange controls in certain countries in which we operate

Certain foreign economies have experienced shortages in foreign currency reserves and their respective governments have adopted restrictions on the ability to transfer funds out of the country and convert local currencies into U.S. dollars. This may increase our costs and limit our ability to convert local currency into U.S. dollars and transfer funds out of certain countries. Any shortages or restrictions may impede our ability to convert these currencies into U.S. dollars and to transfer funds, including for the payment of dividends or interest or principal on our outstanding debt. In the event that any of our subsidiaries are unable to transfer funds to us due to currency restrictions, we are responsible for any resulting shortfall.

Our foreign operations subject us to risks that could negatively affect our business

Our business can be exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, include political instability, corruption, social and ethnic unrest, changes in economic conditions (including wage and commodity inflation, consumer spending and unemployment levels), the regulatory environment, tax rates and laws and consumer preferences as well as changes in the laws and policies that govern foreign investment in other countries.

In addition, the value of our foreign assets is affected by fluctuations in foreign currency exchange rates, which may adversely affect reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

Dependence upon a sole director and limited management and consultants

The Company currently has only one individuals serving as its officer and director, and few employees and consultants. The Company will be heavily dependent upon their skills, talents, and abilities to implement its business plan, and secure additional personnel and may, from time to time, find that the inability of the officers and directors to fully meet the needs of the business of the Company results in a delay in progress toward implementing its business plan.

We may conduct further offerings in the future in which case investors' shareholdings may be diluted

Since our inception, we have relied on sales of our common stock to fund our operations. We may conduct further equity offerings in the future to finance our current operations. If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. We anticipate continuing to rely on equity sales of our common stock in order to fund our business operations. If we issue additional stock, investors' percentage interests in us will be diluted. The result of this could reduce the value of current investors' stock.

Regulation of Penny Stocks

The Company's securities are subject to a Securities and Exchange Commission rule that imposes special sales practice requirements upon broker-dealers who sell such securities to persons other than established customers or accredited investors. For purposes of the rule, the phrase "accredited investors" means, in general terms, institutions with assets in excess of $5,000,000, or individuals having a net worth in excess of $1,000,000 or having an annual income that exceeds $200,000 (or that, when combined with a spouse's income, exceeds $300,000). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker- dealers to sell the Company's securities and also may affect the ability of purchasers in this offering to sell their securities in any market that might develop therefore.

In addition, the Securities and Exchange Commission has adopted a number of rules to regulate "penny stocks." Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Securities Exchange Act of 1934, as amended. Because the securities of the Company may constitute "penny stocks" within the meaning of the rules, the rules would apply to the Company and to its securities. The rules may further affect the ability of owners of Shares to sell the securities of the Company in any market that might develop for them.

Shareholders should be aware that, according to Securities and Exchange Commission, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The Company's management is aware of the abuses that have occurred historically in the penny stock market. Although the Company does not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to the Company's securities.

Our common stock is not listed on a national exchange and as a public market develops in the future, it may be limited and highly volatile, which may generally affect any future price of our common stock

Our common stock currently is listed only in the over-the-counter market on the OTCBB, which is a reporting service and not a securities exchange. We cannot assure investors that in the future our common stock would ever qualify for inclusion on any of the NASDAQ markets for our common stock, The American Stock Exchange or any other national exchange or that more than a limited market will ever develop for our common stock. The lack of an orderly market for our common stock may negatively impact the volume of trading and market price for our common stock.

Any future prices for our common stock will be determined in the marketplace and may be influenced by many factors, including the following:

- the depth and liquidity of the markets for our common stock;
- investor perception of 5BARz International Inc. and the industry in which we participate;
- general economic and market conditions;
-

statements or changes in opinions, ratings or earnings estimates made by brokerage firms or industry analysts relating to the market in which we do business or relating to us specifically, as has occurred in the past;

- quarterly variations in our results of operations;
- general market conditions or market conditions specific to technology industries; and
- domestic and international macroeconomic factors.

In addition, the stock market has recently experienced extreme price and volume fluctuations. These fluctuations are often unrelated to the operating performance of the specific companies. As a result of the factors identified above, a stockholder (due to personal circumstances) may be required to sell his shares of our common stock at a time when our stock price is depressed due to random fluctuations, possibly based on factors beyond our control.

Impracticability of Exhaustive Investigation

The Company's limited funds and the lack of full-time management will likely make it impracticable to conduct a complete and exhaustive investigation and analysis of its chosen business opportunity before the Company commits its capital or other resources thereto. Management decisions, therefore, will likely be made without detailed feasibility studies, independent analysis, market surveys and the like which, if the Company had more funds available to it, would be desirable.

Other Regulation

The Company may be subject to regulation or licensing by federal, state, or local authorities. Compliance with such regulations and licensing can be expected to be a time-consuming, expensive process and may limit other investment opportunities of the Company.

Failure to Perform

The Company may be unable to comply with the payment terms of certain agreements providing the Company with the exclusive sales marketing and distribution rights to 5BARz product. In the event that the Company defaults on such agreements, the Company may be unable to maintain operations as a going concern.

Reliance on Third parties

The Company has entered into certain agreements related to the exclusive sales marketing and distribution rights. In the event that the production Company is unable or unwilling for any reason to supply product under the terms of such agreement, the Company may not be able distribute product or may have business interrupted as they secure alternative production facilities.

Competitive Technologies

The Companies technology relates to a market that is highly competitive and a much sought after solution by cellular networks. The Company expects to be at a disadvantage when competing with firms that have substantially greater financial and management resources and capabilities than the Company. The Company is subject to technological obsolescence should other technologies be developed which are superior to the Companies technology.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended September 30, 2014, the Company has issued shares of common stock as follows:

On January 15, 2014 the Company issued 100,000 shares at a price of $0.167 per share for the settlement of notes payable with a total value of $16,700.

On February 10, 2014 the Company issued 405,581 shares at a price of $0.2465 per share for services with a total fair value of $100,000.

On February 10, 2014 the Company issued 1,250,000 shares at a price of $0.23 per share for services with a total fair value of $287,500.

On May 1, 2014 the Company issued 2,000,000 shares for services valued at $160,000.

On May 29, 2014 the Company issued 347,222 shares at a price of $0.144 per share for the settlement of notes payable with a total value of $50,000.

On July 8, 2014 the Company entered into a settlement for debt agreement with the Chairman of the Board, in the amount of $105,000. Pursuant to the terms of the agreement the Company issued 700,000 units at a price of $0.15 per unit. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.20 per share acquired, with a two year term on the attached warrant.

On July 16, 2014 the Company issued 11,400 shares at a price of $0.05 per share for services with a total fair value of $570.

On August 14, 2014 the Company issued 32,500 shares at a price of $0.22 per share for services with a total fair value of $7,150.

During the period January 31, 2014 to March 17, 2014 the Company issued 6,550,000 units at a price of $0.10 per unit for aggregate proceeds of $655,000. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

During the period March 6, 2014 to September 30, 2014 the Company issued 22,496,965 units at a price of $0.15 per unit for aggregate proceeds of $3,374,545. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

During the period April 28, 2014 to September 30, 2014 the Company issued 325,000 units at a price of $0.15 per unit for services with a total value of $48,750. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

During the period June 1, 2014 to September 30, 2014 the Company issued 200,000 shares at a price of $0.20 per share for services with a total fair value of $40,000.

During the period October 1, 2014 to October 10, 2014 the Company issued an additional 533,333 units at a price of $0.15 per unit for aggregate proceeds of $80,000. Each unit is comprised of one share and one share purchase warrant to acquire a second share at a price of $0.30 per share acquired, with a two year term on the attached warrant.

On October 15, 2014 the Company entered into a Note and Warrant purchase agreement with three parties who have agreed to provide to the Company additional resources to run operations. The parties have agreed to loan up to $1,500,000 pursuant to the terms of a convertible promissory note and warrant agreement. On the closing date, October 6, 2014 the Company received $250,000 cash. The purchasers have agreed that at any time on or before the earlier of (i) the Purchasers' election, or (ii) the execution of an engagement letter by and between the Company and an Investment Banking Firm acceptable to the purchaser relating to the provision of financial advisory services by the Investment Banking Firm to the Company, that the Company will sell Notes representing the balance of the authorized principal amount not sold at the Closing to the Purchasers. This represents additional proceeds to the Company of $1,250,000. The convertible note accrues interest at a rate of 1% per annum and provides for the conversion of the principle and accrued interest on the note into common stock at any time, at the election of the holder at a price of $0.15 per share. Further, the number of warrants to be issued will be equal to the proceeds loaned pursuant to the note and warrant purchase agreement divided by $0.15. The warrant has a term of five (5) years and provides a strike price of $0.20 per share.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company's 60% owned subsidiary Cellynx Group, Inc. is in default under the terms of convertible notes for non-payment when due as follows;

Company	Payee	Principal Amount	Accrued penalty and interest	Total amount due
CelLynx Group, Inc.	Asher Enterprises, Inc.	$28,400	$32,071	$60,471

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

(a) None.

(b) There were no changes to the procedures by which security holders may recommend nominees to our board of directors.

29

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	**Description**
31.1	Section 302 Certification by the Corporation's Chief Executive Officer *
31.2	Section 302 Certification by the Corporation's Chief Financial Officer *
32.1	Section 906 Certification by the Corporation's Chief Executive Officer *
32.2	Section 906 Certification by the Corporation's Chief Financial Officer *

* Filed Herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

5BARz International Inc.
(Registrant)

Date: November 14, 2014 By:/s/ Daniel Bland
Daniel Bland
Chief Executive Officer

By:/s/ Gil Amelio
Gil Amelio
Chairman of the Board of Directors