5BARz International, Inc.
Form 10-K
April 15, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act. Yes [ ] No [X]

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act Yes [ ] No [X]

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 checkmark if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III if this Form 10-K or any amendment to this Form 10-K. [X]

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]

State issuer's revenues for its most recent fiscal year: None.

At June 30, 2014, the end of our second fiscal quarter, the aggregate market value of common stock held by non-affiliates of the registrant was approximately $29,970,598 based on the closing price of $0.22 as reported on the Over-the-Counter Bulletin Board.

Number of shares of the registrant's common stock outstanding as of March 20, 2015 was 218,974,013.

DOCUMENTS INCORPORATED BY REFERENCE: None

5BARz International Inc.

Form 10-K

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual 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 20, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 27, and elsewhere in this Annual 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 Annual 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 Annual Report are expressed in U.S. dollars, unless otherwise indicated.

The disclosures set forth in this report should be read in conjunction with the financial statements and notes thereto of the Company for the year ended December 31, 2014. 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.

PART I

Item 1. Business

General

5BARz International Inc. (“5BARz” or the “Company”) designs, manufactures and sells 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 very significant improvement for cellular network carriers in providing a clear, reliable, high quality signal for their subscribers with a growing need for high quality connectivity. The Company has developed both a fixed unit, called a cellular network extender, to be used in your home or office, and a mobile device designed for use in your automobile, RV, water craft etc. The Company’s products are engineered to incorporate a great number of features more fully addressed herein. Our products are designed to significantly improve the operation of cellular networks in the vicinity of the user, reducing the frustration experienced by cellular users globally.

The Company is in the process of developing the global commercialization of the cellular network extenders through cellular network operators, with each sector of integration to be managed in geographic areas. The initial business focus is currently in India, with formative steps taken in Latin America, the U.S. and Western European market sectors.

We were incorporated in Nevada on November 17, 2008 and the Company has offices in the States of Washington, California and Florida. The address of the Company’s Innovation Center in San Diego is 9444 Waples Street, Suite 140, San Diego, California, 92121, and our centralized telephone number is 877-723-7255. Our web site is www.5BARz.com. Through a link on the Investor Relations section of our website, we make available the following filings as soon as reasonably possible after they are electronically filed with the Securities and Exchange Commission (SEC): our Annual Report on Form 10K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13 (a) or 15(d) of the Exchange Act. All such filings are available free of charge. The information posted on our web site is not necessarily incorporated into this report.

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, from home and office to mobile applications, applications built into automobiles, computers and numerous other specific target markets.

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 has recently unveiled a highly evolved innovative, carrier grade device, incorporating 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 stabilizes and strengthens weak cellular signals to deliver higher quality signal for voice, data and video reception on cell phones, and other cellular equipped devices.

*The **5BARz Cellular Network Extender** was unveiled at the Mobile World Congress* in Barcelona, Spain, March 2014. Since that time the product has undergone significant product field testing in international locations and improvements during the year, resulting in a product which management consider to be ready for deployment.

This product supports 2G & 3G technologies for cellular devices, and has been designed in configurations which operate on either a single frequency or multiple frequencies. The technology has successfully integrated both 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. Production of that product has been limited to a volume of 16,000 units, subject to the terms of a single purchase order and deployment strategy. 5BARz current technological developments have eclipsed the original Road Warriors produced.

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 in the industry.

<u>Company History & Corporate Development</u>

5BARz was incorporated on November 17, 2008, is a Nevada Corporation and was a designated shell Company until 2010. In 2010 the Company acquired the “Master Global Marketing and Distribution Rights” for the marketing and distribution of 5BARz™ products throughout the world from CelLynx Inc., a California based Company. 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. Cellynx was the original developer of the core technology underlying the 5BARz business.

On November 10, 2011, the Company incorporated a subsidiary Company in Zurich Switzerland called 5BARz AG. At December 31, 2014, the Company held a 94.3% 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. In November 2014, the Company was advised that an investment banking firm (BDC Investment AG, “BDC”) involved in the financing 5BARz AG in Zurich Switzerland, was placed into liquidation by Swiss Authorities. Certain other Companies funded by BDC including 5BARz AG were also ordered to liquidate. On January 8, 2015, a communication was issued by FINMA announcing the cessation of the liquidation of the investment banking firm. 5BARz International, Inc. is seeking a similar termination of liquidation of their subsidiary 5BARz AG. Should the liquidation not be terminated, the agreement with 5BARz AG provides for the termination of the license agreement provided to 5BARz AG. The assets of 5BARz AG were written down to zero at December 31, 2014, representing a loss of $14,583.

On January 12, 2015, 5BARz International, Inc. incorporated another subsidiary Company, 5BARz International, SA DE CV in Mexico. The Company is a 99% owned subsidiary of 5BARz International, Inc. with the remaining 1% owned by Daniel Bland, the CEO of 5BARz International, Inc. The Company has obtained the necessary product approvals for the sale of the 5BARz Road Warrior product in Mexico, and has imported a limited inventory of product for resale in the Country.

On January 12, 2015, 5BARz India Private Limited was incorporated in India, a 99.9% subsidiary of 5BARz International, Inc. The Company has delivered prototype products into India in December 2014, and that product is experiencing very positive test results. The Company has developed interest in the product from Tier 1 cellular network operators in the region, with testing programs in process.

At December 31, 2014 the Company had five (5) full time employees.

Milestones

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 was the initial proof of concept product.

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 U.S.

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 business development consultants in Latin America, to present the 5BARz Road Warrior product to R&D departments at major wireless carriers in the region for field testing. That program resulted in positive feedback and recommendations to help guide the further development of the product line.

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 our subsidiary which would help to develop this 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 Gil Amelio, former CEO of Apple Computers as Chairman of the Board of 5BARz International Inc.

February 2014 – 5BARz 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.

August 2014 - 5BARz Hires Top Industry Executive to Launch Latin American Operations, Marcelo Caputo, a successful industry executive and former CEO of Telefonica USA.

August 2014 – 5BARz makes initial delivery of custom designed prototype device to Tier 1, Cellular network operator in Latin America, for product field testing and evaluation.

November 2014 – 5BARz completes $3.5 Million dollar private placement, proceeds used to progress the Company's technology and product line.

January 2015 – 5BARz engages David Habiger, an industry veteran and Senior Advisor at Silver Lake Partners and Venture Partner at Pritzker Group Venture Capital, as a member of its Advisory Board.

January 2015 – 5BARz incorporates subsidiary Company in Mexico, completes approvals on Road Warrior devices and imports limited inventory of product for resale.

March 2015 – 5BARz establishes Subsidiary Company in India, and commences field trials on custom designed prototype products. The Company also commences collaboration arrangements with Tier 1 cellular operators. On March 12, 2015 the Company hired Samartha Raghava Nagabhushanam, a leading Telecom executive, to serve as Managing Director and CEO of 5BARz India.

The Market Opportunity

The market opportunity for the 5BARz™ technology represents nearly 7 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.

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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 degredation 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.

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 to specific channel or frequency
- Multi band 2G/3G support with 4G LTE coming soon
- No back-haul (internet access) required
- No latency
- Small footprint

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	· 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

	· Oscillation suppression circuitry		
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

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Products and Markets

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

5BARz Network Extender

Specifications:

System Gain: up to 70 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

5BARz Road Warrior

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)

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Markets and marketing strategy

The Company's primary entry point to markets is through collaborative arrangements with Cellular Network operators globally. That market is comprised of nearly 7 billion cellular subscribers globally segregated by geographic region as follows;

The Company has initially embarked upon a multi channel marketing strategy with initial emphasis in Latin America, India and Africa as a direct result of the very favorable factors and the stage of development of the cellular markets in those regions.

During 2011 through 2013, the Company introduced the initial product, the Road Warrior, to major wireless operators in Latin America 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 in the region. 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. This fixed unit was first unveiled to the market in February 2014 at the Mobile World Congress in Barcelona Spain. These efforts have resulted in the development of a collaborative program, the first with a major global network operator in June 2013. This collaborative program has expanded from it's inception to date with the Company building product for regions in India and South Africa as well as establishing collaborative arrangements with a greater number of network operators within those regions.

The mobile cellular network extenders (Road Warrior's), which are not carrier specific are to be marketed through more conventional distribution channels.

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 India, Latin America, and South Africa due to significant product interest in those regions. Further the Company has set a structure for the development of the German speaking market place in Europe, through a subsidiary operation 5BARz AG in Zurich Switzerland.

The Wireless Market in India

With a subscriber base of more than 905 million by March 2014, the Mobile telecommunications system in India is the second largest in the world and has been available to private operators since the 1990s. GSM is comfortably maintaining its position as the dominant mobile technology with 80% of the mobile subscriber market. The mobile market is operated by the following cellular network operators;

Source: Statista.com 2015

The Wireless Market in India – continued

On the global stage, India saw the fastest growth in new mobile-phone connections with 18 million net additions in the third quarter of 2014, according to a report by Swedish mobile network equipment maker Ericsson. The number of smartphones, which account for just 37 per cent of all mobile-phone subscriptions, is growing at 15 per cent compounded annual growth rate, and will cross 6,100 million by 2020. The falling cost of handsets, coupled with improved usability and increasing network coverage, are factors that are making mobile technology a popular phenomenon in the country.

In December 2014, 5BARz introduced a number of prototype units for use in India, to the Company's consulting engineering team working in the country for field trials, and then to the R&D department of a select cellular network operator working in the Country. It is the objective of 5BARz to manufacture and distribute the products, working in conjunction with cellular network operators in the country.

The following factors are considered to be particularly relevant with respect to the need for the 5BARz products in India.

- In India the monthly churn rate for subscribers is 6% (BMI India Telecommunications Report, 2Q 2012, pp. 49-51). To provide to a cellular network operator a distinct competitive advantage, such as that provided by the 5BARz cellular network extender, could result in a substantive migration of customers to that network operator, and a reduction in churn.
- As provided above, congestion is a prominent issue resulting in the degradation of cellular connectivity. India is the second most populated region in the world, and so the need for the 5BARz technology is most acute.
- Mobile and Wireless Telecommunications issued a report, August 2013 which highlight a number of favorable factors being experienced in the wireless industry in India, which is positive for 5BARz entry into that market as follows;

  - The government has recently permitted Foreign Direct Investment in the telecom sector
  - The industry has moved toward a more friendly regulatory environment
  - Burgeoning data usage, has created the need for improved connectivity
  - Customer's happiness – A vital cornerstone of any service is the customer. His satisfaction is a direct indicator of running a good business. And this is primarily the service providers' responsibility. 5BARz is offering to service providers improved connectivity for their customers.

The LATAM Market

The Company has analyzed the fundamentals of the mobile phone market in the LATAM countries and has determined that to be a key point for market penetration for the 5BARz™ products for the following reasons;

First, the mobile phone market has just gone through a very strong decade of growth in Latin America, with mobile subscriptions having overtaken fixed lines as the preferred method of communication. As a result Latin America's mobile telephone industry has a high degree of market penetration. Mobile subscriptions totaled 88.2% of the region's population, compared to 55.2% in Asia Pacific, 90.4% in North America and 50.6% in the Middle East and Africa. Having recently invested heavily in subscription development, the cellular network operators are now focusing upon the maintenance of their substantial customer base, and the 5BARz™ technology can contribute substantially to achieving that customer satisfaction.

The mobile telephone industry in Latin America has benefited from generally opening up to competition. This provides a very fertile ground for the introduction of a technology such as 5BARz™ to secure customer retention through quality of service.

The inherent geographical difficulties in laying fixed line infrastructure have encouraged a move to mobiles, but in addition, that geography, the Andean and Rainforest regions and expanses of rural areas again benefit from the 5BARz™ technology whereby weak cellular signal is amplified within the vicinity of the user.

The LATAM Market – continued

Further the LATAM countries are experiencing a renewed era of strong growth, reflecting reviving economic growth and improving income levels. This again is a favorable factor for the introduction of our products to meet the growing demands of consumers.

In addition, the launch of 3G and mobile broadband services has increased demand for mobile subscriptions. Mobile broadband is particularly desirable in areas with no or limited access to cable internet services. Moving to mobiles offers consumers the benefits of on-the-move communications and advantageous introductory deals. Greater access to communications also helps to narrow regional divides. All of these factors are enhanced by the 5BARz™ experience.

Internet usage is expanding since 2010, with broadband internet subscriptions generally growing by higher rates than mobile subscriptions

Initial 3G market expansion is likely to be greater in the region's wealthier markets, such as Argentina, Chile and Mexico, and these have been specifically targeted by our Company with very favorable results.

The LATAM market is comprised of 568 million cellular subscribers.

In 2014, the Company imported 1,000 Road Warrior units into the Region and obtained necessary approval for the sale of those units in Mexico. In January 2015, the Company incorporated a subsidiary company in Mexico to commence sales of that product. The R&D team are currently working on several new and innovative products that will fit the needs of the Region.

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. The Company established a 94.3% owned subsidiary, 5BARz AG to operate the sales, marketing and distribution of the Company’s products in this region of the world, pursuant to an exclusive license agreement.

The product which 5BARz introduced into India at the end of 2014, has a technical configuration design which meets the operating requirements for the majority of the 130 million subscribers in this region. The Company has developed the strategic relationships and infrastructure so that it is poised to enter this marketplace as well.

In late 2014, 5BARz International, Inc. was advised that a corporate finance company (BDC Investment AG) involved in the financing of 5BARz, was placed into liquidation by Swiss Authorities. At that time the liquidation of companies that the corporate finance firm had funded was also ordered. This included 5BARz AG., and accordingly it was placed into liquidation. 5BARz International, Inc. is seeking a termination of the liquidation of 5BARz AG by dealing with the Swiss Authorities.

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 obtain sales orders for products, 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 for the period from inception November 14, 2008, to December 31, 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.

Dependence upon two directors and limited management and consultants

The Company currently has only two individuals serving as its officers and directors, and five employees and approximately twenty 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 OTCQB, 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 1B. Unresolved Staff Comments

Not applicable.

Item 2. Description of Properties

The Company has a leased property in San Diego, California, referred to as the "Innovation Center" for the Company, and is the offices of the Engineering department of the Company. The location of the innovation center is 9444 Waples Street, Suite 140, San Diego, California, 92121.

In addition, the Company has a leased office in Miami, Florida which is the finance and administrative office for the Company, located at 1111 Brickell Ave., 11^{th} Floor, Miami, Florida 33131

We believe that our existing facilities, comprised of leased facilities, are in good condition and suitable for the conduct of our business.

For additional information regarding obligations under operating leases, see Note 10 to the Consolidated Financial Statements.

Item 3. Legal Proceedings

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties, other than those listed below . As of the date of this Annual Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

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 December 31, 2014 the Company accrued $263,000 in its financial statements.

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 had disputed the claim. On February 13, 2015 the action was dismissed in return for payment of 255,000 shares of 5BARz International, Inc. common stock.

In November 2014, the Company was advised that an investment banking firm (BDC Investment AG) involved in the financing 5BARz AG in Zurich Switzerland, was placed into liquidation by Swiss Authorities, and at that time the liquidation of companies in the country that the investment banking firm had funded was also ordered. This included 5BARz AG., and accordingly that entity was placed into liquidation. On January 8, 2015, FINMA issued a communication advising of the cessation of the liquidation of the investment banking firm. 5BARz International, Inc. has engaged counsel and is seeking a similar termination of liquidation of their subsidiary Company.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrants Common Equity; Related Stockholder Matters and Issuer Purchase of Equity Securities

Our common stock trades on the OTC Bulletin Board system under the symbol “BARZ”. The stock commenced trading in October 2010.

The High/Low price at which the stock traded during the two year period ended December 31, 2014 are as follows;

Quarter Ended	High	Low
October 1 –December 31, 2014	$0.19	$0.09
July 1 – September 30, 2014	$0.23	$0.17
April 1- June 30, 2014	$0.23	$0.16
January 1 – March 31, 2014	$0.27	$0.17
October 1 –December 31, 2013	$0.35	$0.12
July 1 – September 30, 2013	$0.24	$0.09
April 1- June 30, 2013	$0.25	$0.05
January 1 – March 30, 2013	$0.10	$0.05

Holders of Record

As of March 20, 2015, the last sale price of our common stock on the OTCBB was $0.14 per share. As of March 20, 2015, there were approximately 247 stockholders of record holding 218,974,013 common shares.

Dividend Policy

We have neither paid nor declared dividends on our common stock since our inception and do not plan to pay dividends in the foreseeable future. Any earnings that we may realize will be retained to finance our growth.

Private Placements

On January 25, 2013 the Company issued 100,000 shares and warrants in settlement of accounts payable for services rendered in the amount of $5,000.

On February 12, 2013 the Company issued 125,000 shares of common stock at a price of $0.06 per share as partial settlement of $7,500 due under a note payable.

On February 15, 2013 the Company issued 1,440,000 shares of common stock at a price of $0.05 per share, for services with a total value of $72,000.

On February 26, 2013 the Company issued 250,000 shares of common stock at a price of $0.04 per share, in settlement of accounts payable with a total value of $10,000.

On February 26, 2013 the Company issued 91,780 shares of common stock at a price of $0.05 per share, in settlement of accounts payable with a total value of $4,589.

On March 1, 2013 the Company issued 175,000 shares of common stock at a price of $0.05 per share, for services with a total value of $8,750.

On March 1, 2013 the Company issued 600,000 shares of common stock at a price of $0.05 per share, for aggregate proceeds of $30,000.

On March 17, 2013 the Company issued 513,827 shares of common stock at a price of $0.05 per share, in settlement of accounts payable with a total value of $25,691.

On March 31, 2013 the Company issued 100,000 shares of common stock at a price of $0.05 per share, in settlement of accounts payable with a total value of $5,000.

During the period from January 4, 2013 to June 21, 2013 the Company issued 11,735,000 units at a price of $0.05 per unit for aggregate proceeds of $586,750. 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 warrant term.

On April 1, 2013 the Company issued 425,000 shares and warrants, with a two year term and $0.20 exercise price, in settlement of accounts payable with a total value of $21,250.

On April 10, 2013 the Company issued 600,000 shares of common stock at a price of $0.05 per share, for aggregate proceeds of $30,000.

On May 15, 2013 the Company issued 200,000 shares of common stock at a price of $0.05 per share for services with a total value of $10,000.

On May 23, 2013 the Company issued 200,000 shares and warrants, with a two year term and $0.20 exercise price, in settlement of accounts payable with a total value of $10,000.

On May 28, 2013 the Company issued 100,000 shares of common stock at a price of $0.05 per share, for debt with a total value of $5,000.

On July 1, 2013 the Company issued 331,200 shares and warrants, with a two year term and $0.20 exercise price, for services with a total value of $66,240.

During the period July 25, 2013 to March 6, 2014 the Company issued 29,215,000 units at a price of $0.10 per unit for aggregate proceeds of $2,921,500. 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 from September 5, 2013 to November 18, 2013 the Company issued 6,044,108 units at a price of $0.10 per unit in order to settle debts, with a total value of $604,411. 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 November 15, 2013 the Company issued 25,000 shares as partial conversion of a note payable at a price of $0.20 per share for a total debt reduction of $5,000.

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.

Private Placements - continued

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.

During the period March 6, 2014 to November 14, 2014 the Company issued 23,103,632 units at a price of $0.15 per unit for aggregate proceeds of $3,465,545. 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.

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.

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.

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.

On October 1, 2014 the Company issued 25,000 shares at a price of $0.17 per share for services with a total fair value of $4,250.

On November 1, 2014 the Company issued 25,000 shares at a price of $0.14 per share for services with a total fair value of $3,500.

During the period November 21, 2014 to March 20, 2015 the Company issued 20,022,500 units at a price of $0.05 per unit for aggregate proceeds of $1,001,125. 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. The number of units within this offering that had been issued by December 31, 2014 were 15,200,000 for aggregate proceeds of $760,000.

On January 13, 2015 the Company issued 331,986 shares at a price of $0.0698 per share for the settlement of notes payable with a total value of $23,000.

On February 1, 2015 the Company issued 180,000 shares at a price of $0.05 per share for debt with a total fair value of $9,000.

On February 1, 2015 the Company issued 75,000 shares at a price of $0.05 per share for services with a total fair value of $7,500.

On February 20, 2015 the Company issued 180,000 shares at a price of $0.05 per share for services with a total fair value of $9,000.

Equity Compensation Plans

On May 17, 2013 the Board of Directors of the Company adopted the 2013 Stock Option plan.

Plan Category	**(a) Number of common shares to be issued pursuant to outstanding options**	**(b) Weighted Average exercise price of outstanding options**	**(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by shareholders			
Equity compensation plans not approved by shareholders	12,250,000	$0.15	7,750,000
Total	12,250,000	$0.15	7,750,000

Item 6. Selected Financial Data

Not applicable for smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations

You should read the following discussion together with our consolidated financial statements and the related notes and other financial information included elsewhere in this report. The discussion in this report contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. Our actual results could differ materially from those discussed here.

<u>**Overview**</u>

5BARz International Inc. is the owner, developer and sales and marketing Company for a line of cellular network devices branded under the 5BARz™ . These highly engineered products are state of the art consumer electronics that manage cell signal within the proximity of the user providing much improved cellular clarity. The products are plug and play, without the need for extensive set up, and can be delivered as carrier agnostic or set to operate on a single carrier's network. The first product brought to market is the 5BARz™ Road Warrior, a plug and play device designed for users on the go.

The Company unveiled a new version, the 5BARz™ Network Extender in February 2014 which represents a carrier grade cellular device to be used in the home or office, which is again a plug and play device with an operating radius of approximately 4,000 square feet. The Company is in the process of introducing these new units to cellular network operators globally with the intent of having those operators integrate the units into their portfolio of products for network improvement for their subscriber base.

The Company is engaged in the financing, product development and the sales and marketing activities required to launch this business globally.

The financial and business analysis below provides information we believe is relevant to an assessment and understanding of our financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the financial statements and related notes included in this form 10-K.

Going Concern

The registrant has an accumulated deficit through December 31, 2014 totaling $14,862,230 and recurring losses and negative cash flows from operations. Because of these conditions, the registrant will require additional working capital to develop its business operations. The registrant's success will depend on its ability to raise money through debt and the sale of stock and the development and sale of product to meet its cash flow requirements. The ability to execute its strategic plan is contingent upon raising the necessary working capital to launch the global sales and marketing activities for the Company.

Management believes that the market sectors that it is in the process of developing in Latin America, sectors within Western Europe, and the USA will yield significant results in the current fiscal year. Further, the efforts that the Company has made to promote its business, by introducing the products to Cellular Network operators and having the products tested for technical efficacy, has positioned the Company for integration of the products through cellular network operators. Management is focused upon achieving that goal. If the Company’s capital raising efforts do not continue to be successful, the registrant's ability to continue as a going concern will be in question. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the registrant be unable to continue as a going concern.

Results of Operations

Year ended December 31, 2014 compared to the year ended December 31, 2013.

	Year ended December 31 2014	Year ended December 31, 2013	Difference
Amortization and depreciation	$282,636	10,512	272,124
Bank charges and interest	74,473	59,056	15,417
Sales and marketing expenses	1,210,812	194,750	1,016,062
Research and development	4,123,841	806,047	3,317,794
General and administrative expenses	3,704,013	2,229,904	1,474,109
Total Operating Expenses	9,395,775	3,300,269	6,095,506
Other income (expenses)	(344,461)	1,003,669	(1,348,130)
Net Loss	$(9,740,236)	(2,296,600)	(7,443,636)

The year ended December 31, 2014 reflects a net loss of $9,740,236 representing an increase in the loss of $7,443,636 compared to the year ended December 31, 2013 loss of $2,296,600.

The total operating expenses for the year ended December 31, 2014 were $9,395,775 (2013 - $3,300,269). The Company has continued to pursue the financing of its operations during the year and the commercialization of its technology, and products in India and Latin America. The Company incurred sales and marketing expenses of $1,210,812 (2013 – $194,750) and general and administrative expenses of $3,704,013 (2013 - $2,229,904). The most significant portion of the operating expense increase of $6,095,506 is the $3,317,794 increase in research and development expenses, resulting from the growth in the Company’s team of engineers and consultants, working in conjunction with our collaborative partners, 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, as well as a team of engineers in India, that was not fully engaged in the prior fiscal year. The results of these efforts have made a substantive improvement in the Company’s products and technology portfolio.

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 June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period," ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification Topic No. 718, "Compensation - Stock Compensation" as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

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 Annual Report on Form 10-K 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 December 31, 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 technology included patents, 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 their estimated useful 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 the shorter of the contractual/legal life or the estimated economic life. 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 7 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. In September 2011, the FASB issued amended guidance that simplified how entities test goodwill for impairment. 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. Otherwise, the quantitative test(s) become optional. As provided for under the amended guidance, the Company chose not to assess the qualitative factors of its reporting units and, instead, performed the quantitative tests.

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. Based on its review, the Company believes that as of December 31, 2014 and 2013, there was no impairment of its long-lived assets.

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.

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.

Stock-Based Compensation - continued

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.

Liquidity and Capital Resources

As at December 31, 2014

As at the year ended December 31, 2014, the reporting issuer's current assets were $263,905 (2013 - $740,096) and current liabilities were $3,764,702 (2013 - $2,032,689), which resulted in a working capital deficiency of $3,500,797 (2013 - $1,292,593). As at December 31, 2014, current liabilities were comprised of: (i) $1,090,240 in accounts payable and accrued expenses that arise from the acquisition of the Company's subsidiary CelLynx Group, Inc. acquired in March 2012; and (ii) $1,776,036 of accounts payable and accrued liabilities arising from the operations of 5BARz International Inc. (iii) $280,486 of notes payable, and $547,940 derivative liabilities arising from convertible notes.

As at December 31, 2014, the Company's total assets were $4,902,539 comprised of: (i) $263,905 in current assets; and (ii) $3,236,033 comprised of the 5BARz™ intellectual property (iii) $1,140,246 comprised of goodwill on the 60% investment in CelLynx Group, Inc., and (iii) $262,355 of equipment.

As at December 31, 2014, the Company's total liabilities were $3,815,608 (2013 - $2,133,153) .

Stockholders’ equity decreased from an equity balance of $3,360,578 at December 31, 2013 to stockholders’ equity of $1,086,931 at December 31, 2014. This decrease of $2,273,647 is attributable in the most part to equity transactions during year ended December 31, 2014 of $7,464,190 being offset by a loss during the period of $9,688,632.

The Company is an emerging growth company and has not commenced planned principal operations. The Company has made no revenue to date. 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 and commence its planned operations.

Subsequent to December 31, 2014 the Company has raised equity capital by way of Private Placements of $281,125 at a price of $0.05 per unit, completed January 1, 2015 to March 20, 2015.

We anticipate that our operational and general and administrative expenses for the next 12 months will be substantial, but maintained in relation to our ability to raise capital. When sufficient financing is received, we will add additional management, engineering, and sales personnel. However, we do not intend to increase our staff until such time as we can raise the capital or generate revenues to support the additional costs. The allocation, purposes and timing of any monies raised in subsequent private financings may vary significantly depending upon the exact amount of funds raised and our progress with the execution of our business plan.

Cash Flows from Operating Activities

For the year ended December 31, 2014, net cash flows used in operating activities was $5,440,416 consisting primarily of cash used for general and administrative expenses, research and development and sales and marketing costs. In addition, the Company financed operating activities through a significant increase in accounts payable in the amount of $1,499,506, and the issuance of stock based compensation of $1,676,676.

Cash Flows from Investing Activities

For the year ended December 31, 2014, net cash flows used in investing activities was $167,634 comprised of expenditures on furniture and equipment assets of $115,601, for the expansion of the Company's Innovation Center in San Diego, as well as $52,033 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 year ended December 31, 2014, net cash flows provided from financing activities was $5,180,539 comprised of proceeds from the sale of common stock in the amount of $4,840,545 and the repayment of convertible notes in the amount of $53,997 and payment of principle amounts due under a capital lease of $39,558.

We expect that working capital requirements will continue to be funded through further issuances of securities by the Company as well as the sales of equity in 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. Subsequent to year end the Company announced the engagement of Axis Capital, one of the leading investment banks in India to work with the Company in raising $20 million for the development of 5BARz India, incorporated in January 2015. In addition, further sales of equity securities by the parent Company, followed by anticipated cash flow from sales of product 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 private placement of equity and debt and an increase in liabilities due from individuals and businesses that work with the Company. It is the intent of the Company to reduce it's net working capital deficit once revenues are generated from its planned principle operations in the upcoming year. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) development and marketing of our line of product; and (ii) expansion of our operations on a more global scale.

We note that 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.

Contractual Obligations

The impact of contractual obligations on our liquidity and capital resources in future periods should be analyzed in conjunction with the factors that impact our cash flows discussed previously. The following table summarizes our contractual obligations at December 31, 2014:

	PAYMENTS DUE BY PERIOD				
December 31, 2014	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Capital leases – equipment	$120,906	$70,000	$50,906	$—	$—
Operating leases - facilities	1,424,110	203,163	555,102	612,465	53,380
Total	$1,545,016	$273,163	$606,008	$612,465	$53,380

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. In May 2014 the Company entered into a commitment to expand the Company's leased facilities in San Diego for a period of 66 months, from September 1, 2014. As a result the future minimum lease payments for the existing and expanded facilities at December 31, 2014 is $1,424,110.

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. At December 31, 2014 the remaining balance under the terms of the lease was $120,906.

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, 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. 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 December 31, 2014 was $2,865,032 (eliminated in consolidation).

Off-Balance Sheet Arrangements

As of the date of this Annual 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.

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.

Inventory

The Company carries inventory in the amount of $165,091 which is comprised of 988 units of Road Warrior cellular networks extenders.

Revenue Recognition

We have not earned any revenue to date.

Going Concern

The independent auditors' report accompanying our financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that we will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for us to continue as a going concern.

Item 7A. 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 8. Financial Statements and Supplementary Data

5BARZ INTERNATIONAL, INC.
Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the

Board of Directors and Shareholders

of 5BARz International, Inc.

We have audited the accompanying consolidated balance sheets of 5BARz International, Inc. and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 5BARz International, Inc. and Subsidiaries, as of December 31, 2014 and 2013, and consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has had recurring operating losses since its inception and has historically been dependent on raising capital from external sources in order to fund its business. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

/s/ Marcum llp

New York, NY

April 15, 2015

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5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2014 AND DECEMBER 31, 2013

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$25,103	$450,215
Inventories	165,091	161,900
Note receivable	—	65,000
Prepaid expenses and deposits	73,711	62,981
TOTAL CURRENT ASSETS	263,905	740,096
FIXED ASSETS:		
Furniture and equipment, net	262,355	225,983
OTHER ASSETS:		
Intangible assets, net	3,236,033	3,387,406
Goodwill	1,140,246	1,140,246
TOTAL OTHER ASSETS	4,376,279	4,527,652
TOTAL ASSETS	$4,902,539	$5,493,731
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$2,866,276	$1,450,167
Due to escrow agent	—	52,321
Derivative liabilities	547,940	60,018
Capital lease obligation (current portion)	70,000	60,000
Notes payable, net of debt discount	280,486	410,183
TOTAL CURRENT LIABILITIES	3,764,702	2,032,689
Related party loans	—	—
Capital lease obligation (non- current portion)	50,906	100,464
TOTAL LIABILITIES	3,815,608	2,133,153
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value, 400,000,000 shares authorized; 213,384,526 and 163,909,191 shares issued and outstanding as of December 31, 2014 and 2013, respectively	213,383	163,909
Capital in excess of par value	15,135,856	7,721,140
Accumulated deficit	(14,862,230)	(5,173,598)
Accumulated other comprehensive income	31,633	29,234
Non-controlling interest	568,289	619,893
TOTAL STOCKHOLDERS' EQUITY	1,086,931	3,360,578
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,902,539	$5,493,731

The accompanying notes are an integral part of these financial statements

5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Sales	$—	$—
Cost of Sales	—	—
Gross profit	—	—
Operating expenses:		
Amortization and depreciation	282,636	10,512
Bank charges and interest	74,473	59,056
Sales and marketing expenses	1,210,812	194,750
Research and development	4,123,841	806,047
General and administrative expenses	3,704,013	2,229,904
Total operating expenses	9,395,775	3,300,269
(Loss) from operations	(9,395,775)	(3,300,269)
Other income (expense):		
Interest income	58	—
Change in fair value of derivative liability	(224,432)	(60,018)
Loss on conversion of debt	—	(17,500)
Change in warrant liability	—	8,178
Interest expense – debt discount	(105,504)	—
Liquidation expenses 5BARz AG	(14,583)	—
Gain on debt settlements	—	1,073,009
Total other (expense) income	(344,461)	1,003,669
Net loss	(9,740,236)	(2,296,600)
Net loss - non-controlling interest	(51,604)	(94,101)
Net loss - controlling interest	(9,688,632)	(2,202,499)
Basic loss per common share	(0.05)	(0.02)
Weighted average number of shares outstanding	179,383,808	126,639,034
Other comprehensive income		
Foreign currency translation gain	2,399	24,962
Other comprehensive income	2,399	24,962
Comprehensive loss	$(9,686,233)	$(2,177,537)

The accompanying notes are an integral part of these financial statements

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5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(9,740,236)	$(2,296,600)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation	282,636	10,512
Stock based compensation	1,676,676	601,113
Change in fair value of derivative liability	224,432	60,018
Change in warrant liability	—	(8,178)
Common shares issued for services	491,720	228,740
Gain on settlement of debts	—	(1,073,009)
Interest expense – debt discount	105,504	—
Changes in operating assets and liabilities:		
Change in inventory	(3,191)	(161,900)
Change in note receivable	65,000	(65,000)
Change in accounts payable and accrued expenses	1,517,506	406,397
Change in prepaid expenses and deposits	(10,730)	(40,825)
Change in unpaid interest and penalties on notes payable	2,588	108,377
Change in due to escrow agent	(52,321)	
Net cash used in operating activities	(5,440,416)	(2,230,355)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of intangible assets	(52,033)	—
Purchase of furniture and equipment assets	(115,601)	(62,293)
Net cash used in investing activities	(167,634)	(62,293)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible notes	400,000	35,000
Payments of amounts due to related party	—	(19,850)
Proceeds used to settle notes payable	(53,997)	(357,583)
Proceeds from issuance of common stock	4,840,545	2,930,750
Proceeds from issuance of common stock by subsidiary - 5BARz AG	33,549	91,276
Principal payments of capital leases	(39,558)	(10,000)
Net cash provided by financing activities	5,180,539	2,669,593
Effect of foreign currency exchange	2,399	24,962
NET (DECREASE) INCREASE IN CASH	(425,112)	401,907
CASH, BEGINNING OF YEAR	450,215	48,308
CASH, END OF YEAR	$25,103	$450,215

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5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, and 2013

Supplementary disclosure of Cash Flow Information	2014	2013
Cash paid for interest	$12,376	$8,915
Cash paid for income taxes	$—	$—

NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of notes payable - CelLynx Group,Inc. & 5BARz	$70,300	$30,500
Replacement of common shares acquired with a convertible note	$—	$80,000
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	$1,270,193
Settlement of notes payable with common stock	$66,700	$514,398
Lease obligation	$120,906	$160,464

The accompanying notes are an integral part of these financial statements

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5BARz INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Common Stock		Excess of	Accumulated	Other Comprehensive	Non-Controlling	
	Shares	Amount	Par Value	Deficit	Income	Income	Total
Balances, January 1, 2013	117,418,281	$117,418	$3,226,802	$(2,971,099)	$ 713,994	$ 4,272	$1,091,387
Shares issued for cash	35,775,000	35,775	2,894,975	—	—	—	2,930,750
Shares issued for services	3,581,200	3,581	$225,159	—	—	—	228,740
Conversion of convertible note	25,000	25	4,975	—	—	—	5,000
Shares issued for debt	8,689,710	8,690	$763,751	—	—	—	772,441
Shares sold by 5BARz AG	—	—	91,276	—	—	—	91,276
Stock option expense	—	—	592,622	—	—	—	592,622
Share price adjustment	20,000	20	(20)	—	—	—	0
Net loss	—	—	—	(2,202,499)	(94,101)	—	(2,296,600)
Foreign currency gain (loss) - ACOI	—	—	—	—	—	24,962	24,962
Cancellation of share issuance - MIH	(1,600,000)	(1,600)	(78,400)	—	—	—	(80,000)
Balances, December 31, 2013	163,909,191	$163,909	$7,721,140	$(5,173,598)	$ 619,893	$ 29,234	$3,360,578
Shares issued for cash	44,053,632	44,054	4,796,491	—	—	—	4,840,545
Shares issued for services	4,274,481	4,273	487,447	—	—	—	491,720
Shares issued for debt	700,000	700	104,300	—	—	—	105,000
Conversion of convertible note	447,222	447	66,253	—	—	—	66,700
Shares sold by 5BARz AG	—	—	33,549	—	—	—	33,549
Stock option expense	—	—	1,478,733	—	—	—	1,478,733
Warrants issued for services	—	—	157,557	—	—	—	157,557
Warrants issued for debt agreement	—	—	132,688	—	—	—	132,688
Beneficial conversion feature	—	—	117,312	—	—	—	117,312
Stock paid compensation	—	—	40,386	—	—	—	40,386

CelLynx Net loss	—	—	—	(9,688,632)	(51,604)	—	(9,740,236)
Foreign currency gain (loss) – AOCI	—	—	—	—	—	2,399	2,399
Balances, December 31, 2014	213,384,526	$213,383	$15,135,856	$(14,862,230)	$ 568,289	$ 31,633	$1,086,931

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5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

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 originally named "Bio-Stuff" and 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 a 50% interest in 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. On March 29, 2012, 5BARz International, Inc. acquired a 60% controlling interest in CelLynx Group, Inc. (the founder of the 5BARz technology) and a 60% interest in the intellectual property underlying the 5BARz™ products.

On November 6, 2011, the Company incorporated a subsidiary Company in Zurich, Switzerland called 5BARz AG which is a 94.2% held subsidiary at December 31, 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 December 31, 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 $9,740,236 and $2,296,600 during the year ended December 31, 2014 and 2013 respectively. Cash used in operating activities was $5,440,416 and $2,230,355 for the year ended December 31, 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 year ended December 31, 2014 was $4,840,545 compared to $2,930,750 in 2013. This represents an increase of 65% over the prior year.
- *Delivery of Beta Products* – In February 2014, the Company presented a commercial grade product in Barcelona during the Mobile World Congress. By August 2014 the Company delivered products for testing to a collaborative partner in Latin America, which is an international cellular network operator. In December 2014, that Company completed a further product for testing by a Tier 1, cellular network operator in India. The Company's rate of development is accelerating.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 1 – Organization and Going Concern (continued)

Going concern – (continued)

The accompanying 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 consolidated financial statements have been prepared in accordance with generally accepted accounting principles generally accepted in the United States of America

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 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 an emerging growth 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.

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.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Research and development costs

Research and development costs are charged to expense as incurred. The costs of materials and equipment that are required 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 and equipment

Furniture and equipment is recorded at historical cost and is depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are being amortized over the shorter of the useful life or the remaining lease term. 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 useful life of the equipment is being depreciated over 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 December 31, 2014 the Company’s inventory included 988 units of Road Warrior cellular networks 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 December 31, 2014 and 2013.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

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 an 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. There were no long-lived assets impairment charges recorded during the years ended December 31, 2014 and 2013.

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.

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:				
December 31, 2014	$ 547,940	$ —	$ —	$ 547,940
December 31, 2013	$ 60,018	$ —	$ —	$ 60,018

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5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

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:

	December 31, 2014	December 31, 2013
Beginning balance	$60,018	$—
Aggregate fair value of conversion feature upon issuance	263,490	57,995
Change in fair value of derivative liabilities	224,432	2,023
Ending balance	$547,940	$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:

	December 31, 2014	December 31, 2013
Stock price	$ 0.11	$ 0.25
Volatility	83 %	211 %
Risk-free interest rate	0.46 %	0.04 %
Dividend yield	0 %	0 %
Expected life	1.63 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.

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 December 31, 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.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

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 year ended December 31, 2014 and 2013 as follows;

	Year ended December 31	
	2014	2013
General and administrative	$798,885	$436,958
Research and development	452,427	164,155
Sales and marketing	425,364	—
Total	$1,676,676	$601,113

Income taxes

The Company accounts for income taxes in accordance with ASC Topic 740, “Income Taxes.” ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of, the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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. These potentially dilutive securities of 102,517,763 and 49,855,171, respectively were not included in the calculation of loss per common share for the years ended December 31, 2014 or 2013 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.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

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 June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period," ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification Topic No. 718, "Compensation - Stock Compensation" as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

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 Annual Report on Form 10-K 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 December 31, 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current presentation. The reclassification did not have any effect on the reported consolidated net losses for any periods presented.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 3 – Furniture and equipment

Furniture and equipment consisted of the following at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Office furniture and equipment	$137,148	$70,804
Research and development equipment (i)	169,350	169,350
Leasehold improvements	46,318	6,940
	352,816	247,094
Accumulated amortization and depreciation	(90,461)	(21,111)
Furniture and equipment, net	$262,355	$225,983

(i) The research and development equipment was subject to the terms of a capital lease agreement. (See Note 9)

During the year ended December 31, 2014 the Company incurred amortization and depreciation expense of $79,230, (2013 - $10,985).

Note 4 – Long lived assets subject to amortization

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

	December 31, 2014	December 31, 2013
Technology	$3,067,827	$3,015,794
Marketing and distribution agreement	370,000	370,000
Trademarks	264	264

License rights	1,348	1,348
	3,439,439	3,387,406
Accumulated amortization	(203,406)	—
Technology and other intangibles, net	$3,236,033	$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 year ended December 31, 2014, $203,406 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 $2,191,306.

The estimated amortization of intangible assets for the five years ended December 31, 2019 and thereafter is as follows:

For the years ended December 31,	Total	Technology	Marketing and distribution agreement	**Trademark & license agreements**
2015	$491,441	$438,261	$ 52,857	$ 323
2016	491,440	438,261	52,857	322
2017	491,440	438,261	52,857	322
2018	491,440	438,261	52,857	322
2019	491,119	438,262	52,857	0
Future years	779,153	695,462	83,691	0
	$3,236,033	$2,886,768	$ 347,976	$ 1,289

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5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 5 - Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2014 and December 31, 2013 is as follows:

	December 31, 2014	December 31, 2013
Goodwill – beginning of year	$1,140,246	$1,140,246
Goodwill – end of year	$1,140,246	$1,140,246

Note 6 - Income taxes:

The domestic and foreign components of income (loss) before income taxes from continuing operations are as follows:

	December 31, 2014	December 31, 2013
Domestic	$(9,622,324)	$(2,251,545)
Foreign	(117,912)	(45,055)
Loss from continuing operations before provision for income taxes	$(9,740,236)	$(2,296,600)

The income tax provision (benefit) consists of the following:

	December 31, 2014	December 31, 2013
Foreign		
Current	$0	$0
Deferred	(25,941)	(9,912)
U.S. federal		
Current	0	0
Deferred	(2,897,734)	(604,970)
State & local		
Current	0	0
Deferred	(30,938)	(214,066)
Total	(2,954,613)	(828,948)
Change in valuation allowance	2,954,613	828,948
Income tax provision (benefit)	$0	$0

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5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 6 - Income taxes (continued)

The provision (benefit) for income taxes using the statutory federal tax rate as compared to the Company's effective tax rate is summarized as follows:

	December 31, 2014	December 31, 2013
U.S. federal statutory income tax rate (benefit)	(34.0 %)	(34.0 %)
State income taxes	(0.4 %)	(5.8 %)
Stock based compensation	0.0 %	10.4 %
Other permanent differences	4.1 %	1.5 %
Change in valuation allowance	30.3 %	27.9 %
Effective rate	0.0 %	0.0 %

The Company's deferred tax assets (liabilities) consisted of the effects of temporary differences attributable to the following:

	December 31, 2014	December 31, 2013
Deferred tax assets		
Net operating loss carryovers	$4,466,003	$2,077,660
R&D credit	321,482	66,017
Accrued compensation	37,796	202,375
Stock-based compensation	358,762	2,833
Derivative liability	76,739	0
Total deferred tax assets	5,260,782	2,348,886
Valuation allowance	(5,117,872)	(2,163,259)
Deferred tax asset, net of valuation allowance	142,910	185,626
Deferred tax liabilities		
Fixed asset depreciation	(11,347)	(14,024)
Intangible asset amortization	(54,824)	(171,602)
Convertible debt	(76,739)	0
Total deferred tax liabilities	(142,910)	(185,626)
Net deferred tax asset (liability)	$0	$0

The Company is in the process of filing it's federal and state tax returns for the years ended December 31, 2014 through 2011. The NOL's for these years will not be available to reduce future taxable income, if any, until the returns are filed.

As of December 31, 2014 and 2013, the Company had approximately $12,757,884 and $5,398,527 of U.S. federal and state net operating loss carryovers ("NOL's"), respectively, to offset future taxable income. The U.S. federal and state net operating loss carryovers begin expiring in 2025. In accordance with section 382 of the Internal Revenue Code, deductibility of the Company's U.S. net operating loss carryovers may be subject to an annual limitation in the event of a change of control. Management has performed a preliminary evaluation as to whether a change in control has taken place, and has concluded that there was a change of control with respect to the NOL's of CelLynx Group, Inc. when the Company acquired its 60% ownership interest in March 2012.

Therefore, the NOL's of CelLynx Group Inc. will be subject to an annual limitation of approximately $8,700 as determined under the regulations. Due to the annual limitation, management has determined that $8,600,000 of the NOL's of CelLynx Group, Inc. will expire unused and has reduced the related deferred tax asset accordingly.

As of December 31, 2014 and 2013, the Company had Swiss Net operating loss carryovers of $372,780 and $254,868, respectively. The Swiss Net operating loss carryovers begin expiring in 2019.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 6 - Income taxes (continued)

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance for all periods. For the years ended December 31, 2014 and 2013, the change in the valuation allowance was $2,954,613 and $828,948, respectively.

The Company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

Interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as "Interest expense, net" in the statements of operation. Penalties would be recognized as a component of "General and administrative expenses."

No interest or penalties were recorded during the year ended December 31, 2014 and December 31, 2013. As of December 31, 2014 and December 31, 2013 no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

Foreign earnings are considered to be indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits). Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable.

Note 7 - Sales of common stock

During the years ended December 31, 2014 and 2013, the Company has issued shares of common stock as follows:

On January 25, 2013 the Company issued 100,000 shares and warrants in settlement of accounts payable for services rendered in the amount of $5,000.

On February 12, 2013 the Company issued 125,000 shares of common stock at a price of $0.06 per share as partial settlement of $7,500 due under a note payable.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 7 - Sales of common stock - continued

On February 15, 2013 the Company issued 1,440,000 shares of common stock at a price of $0.05 per share, for services with a total value of $72,000.

On February 26, 2013 the Company issued 250,000 shares of common stock at a price of $0.04 per share, in settlement of accounts payable with a total value of $10,000.

On February 26, 2013 the Company issued 91,780 shares of common stock at a price of $0.05 per share, in settlement of accounts payable with a total value of $4,589.

On March 1, 2013 the Company issued 175,000 shares of common stock at a price of $0.05 per share, for services with a total value of $8,750.

On March 1, 2013 the Company issued 600,000 shares of common stock at a price of $0.05 per share, for aggregate proceeds of $30,000.

On March 17, 2013 the Company issued 513,827 shares of common stock at a price of $0.05 per share, in settlement of accounts payable with a total value of $25,691.

On March 31, 2013 the Company issued 100,000 shares of common stock at a price of $0.05 per share, in settlement of accounts payable with a total value of $5,000.

During the period from January 4, 2013 to June 21, 2013 the Company issued 11,735,000 units at a price of $0.05 per unit for aggregate proceeds of $586,750. 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 warrant term.

On April 1, 2013 the Company issued 425,000 shares and warrants, with a two year term and $0.20 exercise price, in settlement of accounts payable with a total value of $21,250.

On April 10, 2013 the Company issued 600,000 shares of common stock at a price of $0.05 per share, for aggregate proceeds of $30,000.

On May 15, 2013 the Company issued 200,000 shares of common stock at a price of $0.05 per share for services with a total value of $10,000.

On May 23, 2013 the Company issued 200,000 shares and warrants, with a two year term and $0.20 exercise price, in settlement of accounts payable with a total value of $10,000.

On May 28, 2013 the Company issued 100,000 shares of common stock at a price of $0.05 per share, for debt with a total value of $5,000.

On July 1, 2013 the Company issued 331,200 shares and warrants, with a two year term and $0.20 exercise price, for services with a total value of $66,240.

During the period July 25, 2013 to March 6, 2014 the Company issued 29,215,000 units at a price of $0.10 per unit for aggregate proceeds of $2,921,500. 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 from September 5, 2013 to November 18, 2013 the Company issued 6,044,108 units at a price of $0.10 per unit in order to settle debts, with a total value of $604,411. 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 November 15, 2013 the Company issued 25,000 shares as partial conversion of a note payable at a price of $0.20 per share for a total debt reduction of $5,000.

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.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 7 - Sales of common stock - continued

During the period January 31, 2014 to March 5, 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.

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.

During the period March 6, 2014 to November 14, 2014 the Company issued 23,103,632 units at a price of $0.15 per unit for aggregate proceeds of $3,465,545. 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 15, 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.

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.

During the period June 1, 2014 to September 30, 2014 the Company issued 200,000 shares at a price of $0.20 and $0.21 per share for services with a total fair value of $40,250.

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.

On October 1, 2014 the Company issued 25,000 shares at a price of $0.17 per share for services with a total fair value of $4,250.

On November 1, 2014 the Company issued 25,000 shares at a price of $0.14 per share for services with a total fair value of $3,500.

During the period November 21, 2014 to December 31, 2014 the Company issued 14,400,000 units at a price of $0.05 per unit for aggregate proceeds of $720,000. 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.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 9 – Notes payable

Promissory Notes

5BARz International, Inc. Issue Date	Unpaid Note Principal	Note Terms	Unpaid Interest	Balance December 31, 2014	Balance December 31, 2013
February 3, 2012	—	(a)	—	—	103,997
December 17, 2012	80,000	(b)	13,045	93,045	86,645
January 8, 2013	96,313	(c)		96,313	154,017
August 21, 2014	150,000	(d)	34,667	184,667	—
October 6, 2014	250,000	(e)	623	250,623	
Notes payable – 5BARz International Inc.	$576,313		$48,335	$624,648	$344,659
CelLynx Group Inc.					
May 24, 2012	15,900	(f)	21,248	37,148	37,822
September 12, 2012	12,500	(g)	14,176	26,676	27,702
Notes payable CelLynx Group, Inc.	$28,400		$35,424	$63,824	$65,524
Sub-Total	$604,713		$83,759	$688,472	$410,183
Debt Discount	—		—	(407,986)	—
Total, net of debt discount	$604,713		$83,760	$280,486	$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 December 31, 2014.

b) In December 2012, a shareholder purchased 1,600,000 common shares for $80,000. 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 December 31, 2014, interest of $13,045 was accrued on the convertible debenture, resulting in a total principal and interest due at December 31, 2014 of $93,045. In connection with the convertible debt, the Company recorded $23,262 of derivative liability as of December 31, 2014.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 9 – Notes payable (continued)

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 December 31, 2014, interest of $20,584 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 year ended December 31, 2014 a further $66,700 was paid on the note by way of conversion to common stock. At December 31, 2014 principal due on the note was $96,313. In connection with the convertible debt, the Company recorded $24,079 of derivative liability as of December 31, 2014.

d) On August 21, 2014 the Company entered into a convertible note arrangement with an investment company, in the principal 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 loan could have been repaid at any time during the first three months of the note term. Thereafter, if the note is not repaid, a onetime interest charge of 12% will be assessed. As of December 31, 2014 the note has not been repaid. On November 19, 2014, $18,000 in interest was accrued resulting in a total principal and interest due at December 31, 2014 of $186,667. 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. The ceiling price on the conversion is set at $0.22 per share. In connection with the convertible debt, the Company recorded $500,599 of derivative liability as of December 31, 2014.

e) On October 6, 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. The convertible note accrues interest at a rate of

1% per annum and provides for the conversion of the principal 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. The fair value of warrants at the date of issue was $282,767 using the Black Scholes pricing model. The convertible promissory note and accrued interest is calculated to be $250,623 at December 31, 2014, net of an unamortized debt discount of $223,319, resulting in a carrying value of $27,304. The unamortized debt discount of $223,319 will be charged to interest expense over the remaining term of the Note which matures December 31, 2016.

f) 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 December 31, 2014 the note is past due. The value of the derivative liability associated with this note at December 31, 2014 and 2013 was immaterial. The note principal and accrued interest outstanding at December 31, 2014 was $37,148.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 9 – Notes Payable (continued)

Promissory Notes (continued)

(g) 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 December 31, 2014 the note is past due. The value of the derivative liability associated with this note at December 31, 2014 and 2013 was immaterial. The note was carried at $26,676 comprised of principal and interest due at December 31, 2014.

Note 10 – 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 minimum lease payments as follows;

2015	$75,000
2016	$50,000
Total	$125,000
Interest (12%)	$(4,094)
Capitalized valuation of equipment	$120,906

During the year ended December 31, 2014 and 2013 amortization expense of $58,802 and $7,056 was recorded on the R&D equipment respectively (see Note 3).

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	$219,772
2016	$264,314
2017	$290,788
2018	$300,966
2019	$311,499
Aggregate over 5 years	$53,380
Total	$1,440,719

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 11 – Options and Warrants

Warrants – 5BARz International Inc.

The following table summarizes the warrant activity to December 31, 2014:

	Number of Warrants	Weighted Average Exercise Price	Average Remaining Contractual Life
Outstanding at December 31, 2013	47,580,103	$ 0.26	1.64
Granted*	34,920,294	$ 0.28	
Exercised	—	—	
Cancelled	(540,000)	$ 0.20	
Outstanding at December 31, 2014	81,960,397	$ 0.28	0.98
Exercisable at December 31, 2014	81,960,397	$ 0.28	0.98

***During the year ended December 31, 2014, the Company granted 30,728,629 warrants as part of a unit in connection with various equity raises, 2,525,000 warrants were issued for services and 1,666,667 in connection with convertible notes issuances.

Options – 5BARz International Inc.

At December 31, 2014, 5BARz International, Inc. has the following Options outstanding;

Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)

Outstanding – December 31, 2013	4,000,000	0.10	8.38
Granted	8,250,000	0.17	5.37
Outstanding – December 31, 2014	12,250,000	0.15	6.42
Exercisable- December 31, 2014	12,250,000	0.15	6.42

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:

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 11 – Options and Warrants (continued)

Options – 5BARz International Inc. (continued)

	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	10 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.

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	$395,956

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 year ended December 31, 2014, $1,628,503 (2013 –$221,643) was amortized to expense.

<u>Options – CelLynx Group, Inc</u>.

At December 31, 2014, CelLynx Group Inc. has the following Options outstanding;

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding – December 31, 2013	65,000,000	0.0002	4.30
Cancelled	—		
Granted	4,000,000	0.0003	4.63
Outstanding – December 31, 2014	69,000,000	0.0002	3.27
Exercisable- December 31, 2014	69,000,000	0.0002	3.27

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 11 – Options and Warrants (continued)

Warrants – CelLynx Group, Inc.

The following table summarizes the warrant activity to December 31, 2014:

	Number of Warrants	Weighted Average Exercise Price	Average Remaining Contractual Life
Outstanding at December 31, 2013	4,500,000	$ 0.96	0.12
Granted	—	—	—
Exercised	—	—	—
Expired	—	—	—
Outstanding at December 31, 2014	4,500,000	$ 0.96	0.12
Exercisable at December 31, 2014	4,500,000	$ 0.96	0.12

Note 12 - Related party transactions:

On July 8, 2014, the 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 year ended December 31, 2014.

On August 18, 2014, the Director of Cellynx Group, Inc. was granted 4,000,000 options of the common stock of 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 Scholes pricing model with a calculated volatility of 200%, and a nominal interest rate of 0.04%.

Note 13 – 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). During the year ended December 31, 2014, sales of those securities held in escrow aggregated 11,000 shares sold for proceeds of $33,000 CHF ($36,069 USD), compared to 30,000 shares sold in 2013 for proceeds of 90,000 CHF (US - $100,710) . At December 31, 2014 the Company holds a 94.2% controlling interest in 5BArz AG represented by 9,417,000 shares.

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 Consolidated Financial Statements

December 31, 2014 and 2013

Note 13 – Investment in 5BARz AG – continued

In November 2014, the Company was advised that an investment banking firm (BDC Investment AG, "BDC") involved in the financing 5BARz AG in Zurich Switzerland, was placed into liquidation by Swiss Authorities. Certain other Companies funded by BDC including 5BARz AG were also ordered to liquidate. On January 8, 2015, a communication was issued by the Swiss Authorities announcing the cessation of the liquidation of the investment banking firm. 5BARz International, Inc. is seeking a similar termination of liquidation of their subsidiary 5BARz AG. Should the liquidation not be terminated, the agreement with 5BARz AG provides for the termination of the license agreement provided to 5BARz AG. The assets of 5BARz AG were written down to zero at December 31, 2014, representing a loss of $14,583.

Note 14 – 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 December 31, 2014 the Company had a 60% equity ownership in CelLynx Group, Inc.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 15 – Asset Acquisition Agreement

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 had agreed to make available to CelLynx Group, Inc a revolving line of credit facility as amended in the amount of $2.2 million dollars on October 5, 2010. 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 December 31, 2014, the Company holds 1,489,745,971 shares of the capital stock of CelLynx Group, Inc. and has a balance of $ 2,865,032 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 the underlying 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 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 16 – 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 December 31, 2014 the Company accrued $263,000 in its financial statements.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Note 16 – 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 had disputed the claim. On February 13, 2015 the action was dismissed in return for payment of 255,000 shares of 5BARz International, Inc. common stock.

In November 2014, the Company was advised that an investment banking firm (BDC Investment AG) involved in the financing 5BARz AG in Zurich Switzerland, was placed into liquidation by Swiss Authorities, and at that time the liquidation of companies in the country that the investment banking firm had funded was also ordered. This included 5BAR AG., and accordingly that entity was placed into liquidation. On January 8, 2015, a communication was issued by FINMA, advising of the cessation of the liquidation of the investment banking firm. 5BARz International, Inc. is seeking a similar termination of liquidation of their subsidiary Company.

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 17 – Accounts payable and accrued liabilities

Accounts payable and accrued expenses are comprised of the following:

	2014	2013
Product development costs	$556,470	$—
Consulting and wages	912,045	261,361
Legal and administrative	165,587	56,471
Acquired liabilities – CelLynx 2012	1,072,328	1,077,703
Other	159,846	54,632

Total	$2,866,276	$1,450,167

Note 18 – Subsequent events

Sales of Common Stock

During the period January 1, 2015 to Mach 20, 2015 the Company issued 5,622,500 units at a price of $0.05 per unit for aggregate proceeds of $281,125. 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 January 13, 2015 the Company issued 331,986 shares at a price of $0.069 per share for the settlement of convertible notes payable with a total value of $23,000. The balance of principal and interest due under this convertible note, after this conversion was $73,587.

On February 2, 2015 the Company issued 75,000 shares at a price of $0.10 per share for services valued at $7,500 at a share price.

On February 2, 2015 the Company issued 180,000 shares at a price of $0.05 per share in settlement of accrued payables of $9,000.

On February 20, 2015 the Company issued 180,000 shares for services at a price of $0.05 per share an aggregate amount of $9,000.

5BARz International, Inc.

Notes To Consolidated Financial Statements

December 31, 2014 and 2013

Convertible Note Agreements

On March 3, 2015 the Company entered into a convertible note arrangement with an investment company, in the principle amount of $350,000 of which $175,000 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 $17,500. The loan may be repaid at any time during the first six months of the note term, at a prepayment premium on day 90 of 115%, increasing by 5% each month to month 6. After month three, if the note is not repaid, a one time interest charge of 10% will be assessed. After 6 months, the note is convertible into common stock of the issuer at a discount to market of 35%, 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 $0.001.

On March 6, 2015 the Company entered into a Note and Warrant adjustment purchase agreement with two parties who have agreed to provide to the Company additional resources to run operations. The parties have agreed to loan $400,000 pursuant to the terms of a convertible promissory note and warrant adjustment agreement. On the closing date, March 6, 2015 the Company received $400,000 cash. The note matures on September 6, 2015. The loan maturity may be extended for an additional 6 months by payment on the original maturity date of unpaid interest, plus a 10% extension fee. The convertible note accrues interest at a rate of 15% semi annually 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 $0.05 per share. Further, warrants to acquire up to 12,441,667 shares which had been issued in conjunction with previous financings at strike prices ranging from $0.20 to $0.30 per share, are to be re-priced to a strike price of $0.05 per share with the maturity dates changed to March 6, 2016. The Company has the right to repay the loan by payment of the principle and accrued interest at the date of repayment.

Incorporation of Subsidiary Companies

On January 12, 2015, 5BARz International, Inc. incorporated another subsidiary Company, 5BARz International, SA DE CV in Mexico. The Company is a 99% owned subsidiary of 5BARz International, Inc. with the remaining 1%

owned by Daniel Bland, the CEO of 5BARz International, Inc. The Company has obtained the necessary product approvals for the sale of the 5BARz Road Warrior product in Mexico, and has imported a limited inventory of product for resale in the Country.

On January 12, 2015, 5Barz India Private Limited was incorporated in India, a 99.9% subsidiary of 5BARz International, Inc. The Company has delivered prototype products to India in December 2014, and that product is experiencing very positive test results in the country. The Company has developed interest in the product from Tier 1 cellular network operators in the region, with testing programs in process.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financing Disclosure

Not Applicable

Item 9A. 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 December 31, 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 Annual Report on Form 10-K, 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 (1992) 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 December 31, 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 December 31, 2014, and this assessment identified the following material weaknesses in the company’s internal control over financial reporting:

- o A system of internal controls (including policies and procedures) has neither been designed nor implemented.
- o A formal, internal accounting system has not been implemented.
- o 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 annual 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 Annual Report.

Changes in internal controls

None.

Item 9B. Other Information

None

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

Our executive officers and directors as of December 31, 2014, are as follows:

NAME AND ADDRESS	AGE	POSITIONS HELD	TERM
Dr. Gil Amelio 5840 Lake Geneva Drive Reno, Nevada 89511	72	Chairman of the Board of Directors	November 21, 2013 to Present
Daniel Bland 5535 Peregrine Way Blaine, Washington 98230	56	President and CEO Director	November 12, 2010 to Present
Naresh Soni 9444 Waples Street, Suite 200 San Diego, Ca 92121	56	Chief Technology Officer	May 1, 2013 to Present
Marcelo Caputo 1111 Brickell Ave., 11th Floor Miami, Florida 33131	50	Director of Latin American Operations	August 1, 2014 to Present

Mark Geoghegan 7000 Island Blvd. WS212 Aventura, Florida 33160	57	Consultant Director of Finance	January 1, 2011 to Present

Set forth below is a brief description of the background and business experience of our executive officers and directors.

Dr. Gilbert F. Amelio – Chairman

During his three decades of technology and business leadership, Dr. Amelio has achieved a number of business, scientific and technological successes, including orchestrating the transformation of several Fortune 500 companies. Dr. Amelio has served as the CEO and chairman of Apple Computer, the president, CEO and chairman of National Semiconductor, and the president of Rockwell Communication Systems, a unit of Rockwell International. The successful transformations of these companies resulted in substantial increases in investor value.

Dr. Gil Amelio – Biographical profile for the past 10 years is as follows;

Organization	Description	Date
5BARz International Inc.	Member of Advisory Board	March 12, 2012 to Present
5BARz International, Inc.	Chairman of the Board of Directors	November 21, 2013 to Present
AT&T, Inc.	Director	September 5, 1995 to Aug 27, 2013
Sienna Ventures	Senior Partner	April 2001 to December 31, 2011
Jazz Semiconductor, Inc. (Now part of Tower Semi	Chairman & CEO	March 2007 to September 2008
InterDigital, Inc.	Director	March 2011 to June 2015
Galectin Therapeutics Inc.	Director	February 2009 to Present
Tower Semiconductor Ltd.	Special Advisor to Board of Directors	September 2008 to Present
Alteon Capital Partners	Managing Director	February 2009 to Present
Prexient Micro Devices, Inc.	President & CEO	April 2003 to December 2012
Provision Interactive Technologies	Board of Advisors	December 20008 to Present

Mr. Daniel Bland – CEO, CFO and Director

Mr. Bland is a seasoned entrepreneur who has firmly established himself as a 'hands-on' developer of premier and unique technologies. Over the last thirty years he has been ahead of the technology curve by locating state-of-the-art technology, incubating it, developing it, housing it and commercializing it. His in depth experience with small cap companies has enabled him to raise over $100,000,000 for his various ventures in both domestic and international venues. The skill set that he has developed over the life of his career is now being fully utilized through the creation of 5BARz International and its leading edge products within the most vibrant technology sector in modern times: the Wireless Industry.

Daniel Bland – Biographical profile for the past 5 years is as follows;

Organization	Description	Date
5BARz International Inc.	CEO, CFO & Director	November 12, 2010, to Present
Dollardex Group, Corp	President & Director	January 2008 to Present

Mr. Naresh Soni – Chief Technology Officer

Mr. Soni is an accomplished technology leader with over 20 years experience building and managing global technology, marketing, products, systems, and infrastructure teams. Most recently, Mr. Soni served as InterDigital's Chief Technology Officer, where he was responsible for InterDigital's technology strategy and roadmap. Interdigital has a current market cap of $1.31 Billion.

Naresh Soni – Biographical profile for the past 5 years is as follows;

Organization	Description	Date
5BARz International Inc.	Chief Technology Officer	May 1, 2013, to Present
InterDigital, Inc.	Chief Technology Officer	January 2009 to April 2013
InterDigital, Inc.	Chair of Technology Advisory Counsel	January 2009 to Present
Evo Nexus	Director	December 2014 to Present

Mr. Marcelo Caputo

Mr. Caputo was most recently the CEO of Telefónica USA, Inc., Telefónica Group's U.S. subsidiary based in Miami. In addition to this role, Mr. Caputo was also responsible for the Americas' arm of Telefónica Multinational Solutions which provides global telecom services to multinational corporations in the U.S. and Latin America.

Marcelo Caputo – Biographical profile for the past 5 years is as follows;

Organization	Description	Date
5BARz International Inc.	Director - Latin American Operations	Aug. 1, 2014 to January 31, 2015
5BARz International Inc.	Advisory Board	February 1, 2015 to Present
Telefonica USA	CEO	January 2011 to December 2013
Telefonica Mexico SA de CV	Vice President – Business Customers	Sept. 2007 to December 2010
Spanish Chamber of Commerce Miami	Director	2013
Chamber of Commerce – Mexiso	Director	2010

Mr. Mark Geoghegan – Director of Corporate Finance

Mr. Geoghegan has operated as a financial professional for 30 years. A former Chartered Accountant with Price Waterhouse, Mr. Geoghegan, has developed a career of guiding developing companies from start-up stages to thriving enterprises. He was a hands-on manager with Uniglobe Travel International that developed 1,100 franchised outlets internationally within a few years, and was a very active part of a turnaround team at MacDonald Dettwiler & Associates, a high tech global communications and information company with a current market capitalization of $1.6 billion. He has substantial experience in structuring and listing companies on various stock exchanges throughout the world and substantive post listing management experience.

Mark Geoghegan – Biographical profile for the past 5 years is as follows;

Organization	Description	Date
5BARz International Inc.	Director of Finance	February 1 2013 to Present
Vector Financial Group / Bay Management	Managing Director	February 1, 2001 to January 2013

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual meeting of our shareholders or until removed from office in accordance with our Bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Item 11. Executive Compensation

<u>Compensation of Executive Officers</u>

<u>Compensation of Executive Officers: Summary and Director Compensation Tables</u>

The following summary compensation table and director compensation table sets forth all compensation awarded to, earned by, or paid to the Directors and top two highest paid named executive officers during the fiscal years ended December 31, 2014 and 2013, in all capacities for the accounts of our executives, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). All the options were valued using the Black Scholes pricing model.

EXECUTIVE COMPENSATION TABLE

Name and Principal Position	Year	Salary		Bonus	Stock Awards		Option Awards		All other Compensation	Totals
Daniel Bland	2013	$196,000		—	—		—		—	$ 196,000
CEO,CFO, Director	2014	$196,000		—	—		$42,000	**(1)**	—	$ 238,000
Naresh Soni – CTO	2013	$160,000		—	—		$57,488	**(2)**	—	$ 217,488
	2014	$160,000	**(3)**	—	$ 160,000	**(4)**	$424,427	**(5)**	—	$ 744,427
Marcelo Caputo Dir – Latam	2013	—		—	—		—		—	—
	2014	$100,000	**(6)**	—	—		$280,469	**(7)**	—	$ 380,469

1) Comprised of options to acquire 250,000 shares of common stock at a price of $0.17 per share, issued on January 13, 2014 and vesting immediately.

2) Comprised of options to acquire 1,000,000 shares of common stock at a price of $0.10 per share, issued on May 17, 2013 and vesting over 12 months. The options were valued at $96,961 at the date of grant.

3) In addition consulting fees of $80,000 was accrued and unpaid to a corporation controlled by Mr. Soni as at December 31, 2014.

4) Comprised of 2,000,000 shares (valued at $160,000) issued to Mr. Soni upon completion of 12 months of engagement with the Company.

5) Comprised of options to acquire 2,000,000 shares of common stock at a price of $0.17 per share, issued on January 13, 2014 and vesting over 12 months, in addition to the balance of 1,000,000 options issued May 17, 2013 at a strike price of $0.10 per share and vesting over a period of 12 months. The options which vested during the year were valued at $424,427.

6) In addition salary of $25,000 was accrued but unpaid to to Mr. Caputo as at December 31, 2014.

7) Comprised of options to acquire 2,000,000 shares of common stock at a price of $0.17 per share, issued on August 1, 2014. One million options vest immediately, and 1,000,000 options vest over one year ended August 1, 2015. The options vested during 2014 are valued at $280,469.

DIRECTOR COMPENSATION TABLE

Name and Principal Position*	Year	Salary		Bonus	Stock Awards	Option Awards			Totals
Gil Amelio -Chairman	2013	—	**(9)**	—	—	$ 57,488	**(8)**	—	$ 57,488
	2014	215,000	**(9)**	—	—	$ 100,090		—	$ 315,090

8) Comprised of options to acquire 3,000,000 shares of common stock at a price of $0.10 per share, issued on May 17, 2013 and vesting over 36 months. The options were valued at $290,883 as of May 17, 2013, the date of grant.

9) The consulting fees reflected does not include $160,000 accrued but unpaid to a corporation controlled by Dr. Amelio as at December 31, 2014, (2013 - $120,000).

<u>Aggregated Option Exercises and Fiscal Year-End Option Value Table</u>

There were no stock options exercised during the fiscal years ended December 31, 2014 and 2013, by the Directors or executive officer named in the Summary Compensation Tables.

Long-Term Incentive Plan ("LTIP") Awards Table

There were no awards made to a named executive officer in the last completed fiscal year under any LTIP.

Compensation of Directors

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. No amounts have been paid to, or accrued to, directors in such capacity.

Employment Agreements

The Company does not have formal employment agreements in place with our named executive officers and directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of December 31, 2014, the number and percentage of outstanding shares of 5BARz International Inc. common stock owned by (i) each person known to us to beneficially own more than 5% of its outstanding common stock, (ii) each director, (iii) each named executive officer and significant employee, and (iv) all officers and directors as a group.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class (1)
Common stock Options	Daniel Bland 5535 Peregrine Way Blaine, Washington 98230	41,428,834 250,000	18.9%
Common Stock	Gil Amelio	3,000,000	2.6%
Options	5840 Lake Geneva Drive	2,700,000	

	Reno, Nevada 89511		
Common stock Warrants	Naresh Soni 9444 Waples Street, Suite 200 San Diego, California 92121	2,000,000 3,000,000	2.3%
Common stock Options	Marcelo Caputo 1111 Brickell Ave., 11th Floor Miami, Florida 33131	0 2,000,000	1%
Common stock Warrants	Global Equity Finance Ltd. Bahnhofstrasse 28a CH8001, Zurich Switzerland	7, 035,000 10,225,000	7.8%
Common Stock Options Convertible Debenture	Mark Geoghegan 7000 Island Blvd. Suite 212 Aventura, Florida 33160	3,915,000 150,000 1,375,000	2.5%

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The percent of class is based on 219,774,013 shares of our common stock issued and outstanding as of March 20, 2014.

The Executive Officers as a group hold 27.3% of the common stock through direct and indirect holdings.

Of the forty-one million four hundred twenty-eight thousand eight hundred thirty-four (41,428,834) shares owned by Mr. Bland, forty million (40,000,000) shares are owned by him directly, while the remaining one million four hundred twenty-eight thousand eight hundred thirty-four (1,428,834) shares are held by Dollardex Group Corp., of which he is the sole officer, director and shareholder.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Except as described below, none of the following parties has, since our date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us, other than noted in this section:

Related Parties Include;

- any of our directors or officers;
- any person proposed as a nominee for election as a director;
- any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock;
- any of our promoters; and
- any relative or spouse of any of the foregoing persons who has the same house as such person.

Asset Purchase Agreement from Related Party;

On December 30, 2010, the Registrant, 5BARz International Inc., a Nevada corporation, ("5BARz"), acquired, pursuant to an Assignment Agreement from Dollardex Group Corp., a Panamanian Corporation controlled by Mr. Daniel Bland, the President and CEO of the Registrant, all right title and interest in an "Amended and Restated Master Global Marketing and Distribution Agreement", an "Asset Purchase Agreement", a "Line of Credit Agreement" and a "Security Agreement", collectively referred to as "The Agreements". The Agreements, as restated, had originally been entered into between CelLynx Group, Inc., a Nevada Corporation and Dollardex Group Corp., a Panamanian Corporation, on October 5, 2010, and were amended on March 29, 2012. The Agreements relate principally to the development of the sales and marketing of the 5BARz™ line of products and related accessories by 5BARz International Inc

DESCRIPTION OF ASSETS INVOLVED

Collectively, the agreements referred to above provide to 5BARz International Inc., the business opportunity to commercialize a state of the art technology developed by CelLynx related to the manufacture and sale of 'cellular network extenders" as well as a 60% interest in the patent applications, and legal equivalents thereto owned by CelLynx. It is these agreements that represent the asset acquired by 5BARz International Inc.

DESCRIPTION OF PARTIES FROM WHOM THE ASSETS WERE ACQUIRED

The Assets have been acquired by 5BARz International Inc. from Dollardex Group Corp. Both Companies, 5BARz and Dollardex, have a Director and Officer in common, Mr. Daniel Bland.

NATURE AND AMOUNT OF CONSIDERATION PAID FOR THE ASSETS

The consideration paid for the assignment of the assets is comprised of a note payable in the amount of $370,000 USD payable to Dollardex Group Corp., along with interest charged at a rate of 5% per annum and payable at any time at the sole discretion of 5BARz. In addition, 5BARz issued 15,600,000 shares of the common stock of 5BARz International Inc. to Dollardex Group Corp., representing 17.8% of the issued and outstanding common stock of the Registrant at the time of issue.

Director Independence

Quotations for our common stock are entered on the OTCBB inter-dealer quotation system, which does not have director independence requirements. For purposes of determining director independence, we have applied the definitions set out in NASDAQ Rule 4200(a)(15). Under NASDAQ Rule 4200(a)(15), a director is not considered to be independent if he or she is also an executive officer or employee of the corporation. During the fiscal year ended December 31, 2014, Mr. Bland acted as a director and as our executive officer. As such, he is not considered to be an independent director. Dr. Gil Amelio, the Chairman of the Board of Directors of the Company did not act as an executive officer of the Company and as such he is considered to be an independent Director.

Item 14. Principal Accountant Fees and Services

Audit Fees: Aggregate fees billed for professional services rendered for the audit of our annual financial statements and review of financial statements included in our quarterly reports on form 10-Q for the years ended December 31, 2014 and December 31, 2013 were approximately $103,000 and $115,000 respectively.

Audit-related Fees: No fees were billed for assurance and related services reasonably related to the performance of the audit or review of our financial statements and not reported under “Audit Fees” above in the years ended December 31, 2012 and December 31, 2011.

Tax Fees: Fees for tax services for the years ended December 31, 2014 and December 31, 2013 were $2,500 and $1,250 respectively.

All Other Fees: There were no other fees billed for professional services other than those described above were for the years ended December 31, 2014 and December 31, 2013.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before our auditor is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

-approved by our audit committee; or

-entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

Our audit committee and board of directors pre-approves all services provided by our independent auditors.

The pre-approval process has just been implemented in response to the new rules. All of the above services and fees were reviewed and approved by the entire board of directors before and after the respective services were rendered.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

Exhibit Number	**Description**
23.1	Consent of Experts
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

In accordance with the requirements of the Exchange Act, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

	5BARz International Inc.
Dated: April 15, 2015	By: /s/ Daniel Bland Daniel Bland, President and Chief Executive Officer, CFO & Director
Dated: April 15, 2015	By: /s/ Gil Amelio Gil Amelio Chairman

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