



**FUNDAMENTAL APPLICATIONS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2015 and 2014

(Stated in Canadian Dollars)  
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited consolidated interim financial statements of Fundamental Applications Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**FUNDAMENTAL APPLICATIONS CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Stated in Canadian Dollars) (unaudited)

|                                      | Sep 30,<br>2015 | June 30,<br>2015 |
|--------------------------------------|-----------------|------------------|
| <b>ASSETS</b>                        |                 |                  |
| <b>Current assets</b>                |                 |                  |
| Cash                                 | \$ 73,599       | \$ 27,322        |
| GST/HST Recoverable                  | 3,618           | -                |
| Prepaid expense                      | 134,777         | 69,555           |
|                                      | 211,995         | 96,877           |
| Development advance (Note 5)         | -               | -                |
| Intangible assets (Note 5)           | 352,616         | 373,358          |
| Equipment (Note 6)                   | 4,251           | 4,251            |
|                                      | \$ 568,862      | \$ 474,486       |
| <b>LIABILITIES</b>                   |                 |                  |
| <b>Current liabilities</b>           |                 |                  |
| Accounts payable                     | \$ 214,167      | \$ 168,528       |
| Short-term loans (Note 7)            | 352,000         | 421,092          |
| Due to related parties (Note 8)      | 12,000          | 18,000           |
|                                      | 578,167         | 607,620          |
| <b>SHAREHOLDERS' EQUITY</b>          |                 |                  |
| Share capital (Note 9)               | 1,779,704       | 1,206,613        |
| Subscriptions received               | -               | -                |
| Share-based payment reserve (Note 9) | 618,126         | 345,119          |
| Deficit                              | (2,407,136)     | (1,684,866)      |
|                                      | (9,306)         | (133,134)        |
|                                      | 568,862         | \$ 474,486       |

Going concern (Note 1)  
Subsequent events (Note 12)

**Approved on behalf of the Board on November 30, 2015:**

*“Richard Whitehead”*

Richard Whitehead

*“Khalil Bhimji”*

Khalil Bhimji

The accompanying notes are an integral part of these financial statements

**FUNDAMENTAL APPLICATIONS CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Stated in Canadian Dollars) (unaudited)

|  | Three Months<br>ended<br>Sep 30, 2015 | Three Months<br>ended<br>Sep 30, 2014 |
|--|---------------------------------------|---------------------------------------|
| <b>Expenses</b>                                      |                                       |                                       |
| Accounting and audit fees                            | 5,755                                 | \$ 2,675                              |
| Bank and interest charges (Note 7)                   | 58                                    | 71                                    |
| Consulting fees (Note 8)                             | 100,668                               | 38,729                                |
| Depreciation and amortization (Notes 5 and 6)        | 20,742                                | -                                     |
| Charge related to public company listing             | -                                     | 17,920                                |
| Legal fees   | 2,105                                 | 57,262                                |
| Listing cost (Note 4)                                | 38,737                                | 13,335                                |
| Management fees (Note 8)                             | -                                     | -                                     |
| Marketing  | 162,014                               | 31,500                                |
| Office and miscellaneous                             | 9,715                                 | -                                     |
| Development costs                                    | 100,000                               | -                                     |
| Share-based payments (Notes 8 and 9)                 | 269,948                               | 314,500                               |
| Transfer agent and filing fees                       | 4,550                                 | 4,000                                 |
| Travel   | 7,977                                 | -                                     |
| Net loss and comprehensive loss                      | \$ 722,269                            | \$ 479,992                            |
| Basic and diluted loss per share                     | \$ (0.04)                             | \$ (0.04)                             |
| Weighted average number of common shares outstanding | 19,723,249                            | 11,663,736                            |

**FUNDAMENTAL APPLICATIONS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Stated in Canadian Dollars) (unaudited)

|  | Three Months<br>ended<br>Sep 30, 2015 | Three Months<br>ended<br>Sep 30, 2014 |
|--|---------------------------------------|---------------------------------------|
| Operating Activities   |                                       |                                       |
| Net loss   | (722,269)                             | (479,992)                             |
| Items not affecting cash:  |                                       |                                       |
| Depreciation and amortization                                    | 20,742                                | -                                     |
| Accrued interest   | -                                     | -                                     |
| Non-cash listing cost  | -                                     | -                                     |
| Share-based payments   | 269,948                               | 314,500                               |
| Changes in non-cash working capital items related to operations: |                                       |                                       |
| Prepays  | (65,222)                              | (18,000)                              |
| GST/HST Recoverable  | (3,618)                               | -                                     |
| Accounts payable   | 45,639                                | (7,185)                               |
| Due to related parties   | -                                     | -                                     |
| Cash used in operating activities                                | (454,780)                             | (190,677)                             |
| Financing Activities   |                                       |                                       |
| Loans payable  | (69,092)                              | -                                     |
| Advances (refunds) on private placement                          | -                                     | (170,681)                             |
| Shares issued for cash, net of issue costs                       | 570,149                               | 266,920                               |
| Cash provided by financing activities                            | 501,057                               | 96,239                                |
| Investing Activity   |                                       |                                       |
| Equipment  | -                                     | -                                     |
| Net cash from acquisition of subsidiary                          | -                                     | -                                     |
| Development advance  | -                                     | (99,201)                              |
| Cash provided by (used in) investing activities                  | -                                     | (99,201)                              |
| Increase (decrease) in cash                                      | 46,277                                | (193,639)                             |
| Cash, beginning  | 27,322                                | 241,612                               |
| Cash, ending   | 73,599                                | 47,973                                |
| Supplemental Disclosure of Cash Flow Information:                |                                       |                                       |
| Cash paid during the period for:                                 |                                       |                                       |
| Interest   | \$ -                                  | \$ -                                  |
| Income taxes   | \$ -                                  | \$ -                                  |

Non-cash transactions – Note 11

**FUNDAMENTAL APPLICATIONS CORP.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
for the period from Incorporation on April 4, 2014 to Sep 30, 2015  
(Stated in Canadian Dollars) (unaudited)

|  | Share capital       |              | Subscriptions<br>received | Share-based<br>payment reserve | Deficit        | Total        |
|--|---------------------|--------------|---------------------------|--------------------------------|----------------|--------------|
|  | Number of<br>Shares | Amount       |                           |                                |                |              |
| <b>Balance at incorporation April 4, 2014</b>                  | -                   | \$ -         | \$ -                      | \$ -                           | \$ -           | \$ -         |
| Shares issued for cash (Note 9)                                | 9,000,000           | 150,000      | -                         | -                              | -              | 150,000      |
| Subscriptions received   | -                   | -            | 160,681                   | -                              | -              | 160,681      |
| Net and comprehensive loss                                     | -                   | -            | -                         | -                              | (57,069)       | (57,069)     |
| <b>Balance, June 30, 2014</b>                                  | 9,000,000           | 150,000      | 160,681                   | -                              | (57,069)       | 253,612      |
| Subscriptions refunded   | -                   | -            | (151,681)                 | -                              | -              | (151,681)    |
| Shares issued for cash (Note 9)                                | 1,650,000           | 249,000      | (9,000)                   | -                              | -              | 240,000      |
| Shares issued for assets (Notes 5 and 9)                       | 3,000,000           | 60,000       | -                         | -                              | -              | 60,000       |
| Shares issued on amalgamation (Notes 4 and 9)                  | 396,000             | 79,200       | -                         | -                              | -              | 79,200       |
| Shares issued for acquisition of subsidiary<br>(Notes 5 and 9) | 1,460,000           | 145,000      | -                         | -                              | -              | 145,000      |
| Units issued for cash, net of costs                            | 1,898,944           | 383,935      | -                         | 7,650                          | -              | 391,585      |
| Shares issued for debt settlements<br>(Notes 5 and 9)          | 464,927             | 139,478      | -                         | -                              | -              | 139,478      |
| Share based payments (Note 9)                                  | -                   | -            | -                         | 337,469                        | -              | 337,469      |
| Net and comprehensive loss                                     | -                   | -            | -                         | -                              | (1,627,797)    | (1,627,797)  |
| <b>Balance, June 30, 2015</b>                                  | 17,869,871          | \$ 1,206,613 | \$ -                      | \$ 345,119                     | \$ (1,684,866) | \$ (133,134) |
| Shares issued for cash net of costs (Note 9)                   | 1,749,500           | \$336,627    | -                         | 3,058                          | -              | 339,685      |
| Shares issued for debt settlements                             | 1,000,000           | \$200,000    | -                         | -                              | -              | 200,000      |
| Shares issued for warrant exercises                            | 121,550             | \$36,465     | -                         | -                              | -              | 36,465       |
| Share based payments (Note 9)                                  | -                   | -            | -                         | 269,948                        | -              | 269,948      |
| Net and comprehensive loss for the period                      | -                   | -            | -                         | -                              | (722,269)      | (722,269)    |
| <b>Balance, September 30, 2015</b>                             | 20,787,796          | \$1,779,704  | \$ -                      | \$ 618,126                     | \$ (2,407,136) | \$ (9,306)   |

## FUNDAMENTAL APPLICATIONS CORP.

Notes to the Consolidated Financial Statements

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

### 1. Nature and Continuance of Operations

Fundamental Applications Corp. (the “Company” or “Fundamental”) was incorporated on July 14, 2014 under the Business Corporation Act of British Columbia under the name of Kluster Technologies Inc. The Company develops applications for smartphones and tablets. On August 1, 2014, the Company changed its name to Antisocial Networks Ltd. and on September 2, 2014 changed its name to Fundamental Applications Corp. On September 18, 2014, the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the trading symbol “FUN” (Note 4). The head office of the Company is 1820 – 925 West Georgia Street, Vancouver, BC V6C 3L2.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at Sep 30, 2015, the Company has not generated any revenues from operations, has a working capital deficit of \$366,172 (Sep 30, 2014 working capital: \$35,158) and an accumulated deficit of \$2,407,136 (Sep 30, 2014: 537,061). The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Management intends to finance operating costs over the next twelve months with private placements of common shares and loans from directors. While management has been successful in obtaining sufficient funding for its operating and capital requirements from the inception of the Company to date, there is no assurance that additional funding will be available to the Company, when required, or on terms which are acceptable to management.

### 2. Basis of Preparation

The financial statements were authorized for issue on November 30, 2015 by the directors of the Company.

#### *Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) as applicable to the preparation of annual financial statements.

#### *Basis of Measurement*

The financial statements have been prepared on an accrual basis and are based on historical costs. The financial statements are presented in Canadian dollars which is also the Company’s functional currency.

#### *Consolidation*

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

|                          | Country of<br>incorporation | Percentage owned* |              |
|--------------------------|-----------------------------|-------------------|--------------|
|                          |                             | Sep 30, 2015      | Sep 30, 2014 |
| Antisocial Holdings Ltd. | Canada                      | 100%              | 0%           |
| FORO Technologies Inc.   | Canada                      | 100%              | 0%           |

\*Percentage of voting power is in proportion to ownership.

## **FUNDAMENTAL APPLICATIONS CORP.**

### Notes to the Consolidated Financial Statements

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

#### **2. Basis of Preparation (continued)**

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

##### *Significant Estimates and Assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and estimating the fair value for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

##### *Significant Judgements*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these financial statements were:

- Determining whether or not the acquisition of Foro Technologies Inc. ("Foro") (Note 5) constituted a business combination or an acquisition of assets. The benefit to the Company of acquiring Foro was the acquisition of its intellectual property. Management concluded that because Foro did not possess the necessary inputs and processes capable of producing outputs it did not meet the definition of a business as defined by IFRS. Accordingly, the transaction was accounted for as an acquisition of assets and the fair value of the consideration paid was allocated to the assets acquired.
- Evaluating whether or not costs incurred by the Company in developing its smartphone applications meet the criteria for capitalizing as intangible assets. Management determined that as at Sep 30, 2015, it was not yet able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments (Note 2).

##### *Foreign currency translation*

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

##### Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.



## **FUNDAMENTAL APPLICATIONS CORP.**

### **Notes to the Consolidated Financial Statements**

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

#### **2. Basis of Preparation (continued)**

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

##### *Equipment*

Equipment is recorded at cost, less accumulated depreciation and accumulated net impairment losses.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in net earnings over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is recognized as follows: Computer equipment      20% - 50% declining balance

##### *Intangibles*

Separately acquired intellectual property and intellectual property rights, application software, and trademarks are recorded at historical cost. Intellectual property and intellectual property rights, application software, and trademarks acquired in a business combination are recognized at fair value at the acquisition date. Intellectual property and intellectual property rights, application software, and trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the items over their estimated useful lives of 5 years.

##### *Research and development*

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of five years. The Company did not have any development costs that met the capitalization criteria for the periods ended Sep 30, 2015 and 2014.

##### *Share-based payments*

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

## **FUNDAMENTAL APPLICATIONS CORP.**

### **Notes to the Consolidated Financial Statements**

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

#### **2. Basis of Preparation (continued)**

##### *Loss per share*

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Because the Company has reported a net loss for the periods presented, the effect of options and warrants would be anti-dilutive. Accordingly, diluted loss per share equals basic loss per share.

##### *Financial instruments*

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Cash is classified as loans and receivables.

The Company does not have any derivative financial assets and liabilities.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative financial liabilities consist of accounts payable, due to related parties and short-term loans.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

## **FUNDAMENTAL APPLICATIONS CORP.**

### Notes to the Consolidated Financial Statements

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

#### **2. Basis of Preparation (continued)**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

##### *Impairment of assets*

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

##### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

##### *Income taxes*

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided annually, using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed annually, at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## **FUNDAMENTAL APPLICATIONS CORP.**

### **Notes to the Consolidated Financial Statements**

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

#### **2. Basis of Preparation (continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **3. Significant Accounting Policies**

*Accounting standards issued by not yet effective*

New standard IFRS 9 “Financial Instruments”:

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this new standard and is currently assessing the impact that this standard will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

#### **4. Plan of Arrangement and Listing**

On July 21, 2014, the Company entered into an Arrangement Agreement and Plan of Arrangement (the “Arrangement”) with Antisocial Holdings Ltd. (“Antisocial”), and Salient Corporate Services Inc. (“Salient”).

Pursuant to the Arrangement, the following principal steps were completed on September 12, 2014:

- Antisocial purchased all the issued and outstanding common shares of Fundamental, a wholly-owned subsidiary of Salient incorporated on July 14, 2014 for the sole purpose of the Arrangement, from Salient for consideration of \$10,000 and paid \$7,920 for estimated expenses that Salient incurred during the transaction;
- Fundamental acquired 13,700,000 common shares of Antisocial, being all the issued and outstanding share capital, from all the shareholders of Antisocial through a 1-for-1 share exchange; and
- Fundamental issued 396,000 common shares with a value of \$79,200 to Salient.

Upon the Arrangement becoming effective on September 12, 2014, Fundamental became a reporting issuer in the jurisdictions of Alberta and British Columbia, with its shares listed on the CSE.

**FUNDAMENTAL APPLICATIONS CORP.**

## Notes to the Consolidated Financial Statements

Sep 30, 2015 and 2014

(Stated in Canadian Dollars) (unaudited)

**4. Plan of Arrangement and Listing (continued)**

As a result of the Arrangement, the former shareholders of Antisocial acquired control of the Company. The arrangement has been accounted for as a reverse acquisition that was not a business combination. Antisocial is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation on April 4, 2014 are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of Antisocial. The Company's results of operations are included from September 12, 2014 onwards.

The costs of the Arrangement are considered the cost of listing the Company's shares which does not meet the criteria for recognition of an intangible asset in accordance with IAS 38 "Intangible Assets". Accordingly, the Company charged \$97,120 to the Statement of Comprehensive Loss.

*OTC Listing*

In September 2015, the Company completed its listing on the OTCQB and commenced trading under the symbol FUAPF. The Company incurred costs of \$38,737 in connection with obtaining the listing.

**5. Intangible Assets**

Intangible assets acquired through acquisition:

|  | <b>Serum</b>  | <b>Foro and Truth</b> | <b>Total</b>   |
|--|---------------|-----------------------|----------------|
| <b>Cost:</b>                           |               |                       |                |
| Balance, Jun 30, 2014                  | \$ -          | \$ -                  | \$ -           |
| Additions                              | <u>60,000</u> | <u>354,842</u>        | <u>414,842</u> |
| Balance, Jun 30, 2015 and Sep 30, 2015 | \$ 60,000     | \$ 354,842            | \$ 414,842     |
| <b>Accumulated amortization:</b>       |               |                       |                |
| Balance, June 30, 2014                 | \$ -          | \$ -                  | \$ -           |
| Amortization during the year           | <u>6,000</u>  | <u>35,484</u>         | <u>41,484</u>  |
| Balance, Jun 30, 2015                  | \$ 6,000      | \$ 35,484             | \$ 41,484      |
| Amortization during the period         | <u>3,000</u>  | <u>17,742</u>         | <u>20,742</u>  |
| Balance, Sep 30, 2015                  | 9,000         | 53,226                | 62,226         |
| <b>Carrying amounts:</b>               |               |                       |                |
| As at Jun 30, 2015                     | \$ 54,000     | \$ 319,358            | \$ 373,358     |
| As at Sep 30, 2015                     | \$ 51,000     | \$ 301,616            | \$ 352,616     |

On July 31, 2014, the Company completed the acquisition of Vibecast Corp. for the purchase of the intellectual property and intellectual property rights, the application software, and the trademarks using the term "Serum". In consideration, the Company issued to Vibecast Corp 3,000,000 common shares with a fair value of \$0.02 for a total fair value of \$60,000 (Note 9).

On April 9, 2015 the Company completed the acquisition of Foro Technologies Inc. ("Foro") whereby the Company issued 1,460,000 shares and paid cash of \$50,000 for 100% of the issued and outstanding shares of Foro (Note 9). Of the 1,460,000 shares, 500,000 shares, with a fair value of \$145,000, were released immediately and the remaining

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## Notes to the Consolidated Financial Statements

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**5. Intangible Assets (continued)**

960,000 shares are subject to escrow restrictions to be released upon the achievement of certain milestones. 600,000 of the escrowed shares will be released once Foro reaches a minimum of 25,000 regular users of Foro's application software and the remaining 360,000 escrowed shares will be released once Foro reaches 50,000 users of Foro's application software. If the milestones have not been achieved within 12 months of closing of the acquisition of Foro, all escrowed shares not yet released will be cancelled. The fair value of the shares subject to escrow restrictions will be recorded if and when the milestones are reached. Concurrent with the acquisition, Fundamental issued 464,927 shares and made a cash payment of \$50,000 to settle certain creditors of Foro (which are included in the balance of the notes payable in the table below) (Note 9). Foro owns the intellectual property, the intellectual property rights, the application software, and the trade-marks for the applications called "Foro" and "Truth".

The acquisition has been recorded as follows:

|  |                        |
|--|------------------------|
| Fair value of consideration                                |                        |
| Cash   | \$ 50,000              |
| Common shares  | 145,000                |
| Professional fees directly attributable to the acquisition | 20,804                 |
|  | <hr/> 215,804 <hr/>    |
| Assets acquired:   |                        |
| Cash   | 58,655                 |
| Equipment  | 2,479                  |
| Intangible assets  | 354,842                |
| Trade payables   | (25,694)               |
| Note payable   | (174,478)              |
|  | <hr/> \$ 215,804 <hr/> |

**6. Equipment**

|                                 |                      |
|---------------------------------|----------------------|
| Cost:                           |                      |
| Balance, June 30, 2014          | \$ -                 |
| Additions                       | 7,067                |
|                                 | <hr/> \$ 7,067 <hr/> |
| Accumulated depreciation:       |                      |
| Balance, June 30, 2014          | \$ -                 |
| Depreciation                    | 2,816                |
| Balance, June 30, 2015          | \$ 2,816             |
| Depreciation during the period: | -                    |
| Balance, Sep 30, 2015           | 2,816                |
|                                 | <hr/>                |
| Carrying amounts:               |                      |
| As at June 30, 2015             | \$ 4,251             |
| As at Sep 30, 2015              | \$ 4,251             |
|                                 | <hr/>                |

**7. Short Term Loans**

During the year ended June 30, 2015, a former director of the Company advanced \$367,000 to the Company for working capital. The advance bears 8% interest per annum, is unsecured and is due on demand. During the period ended Sep 30, 2015, \$160,000 of this loan was repaid as part of a debt settlement agreement.

During the year ended June 30, 2015, a shareholder of the Company advanced \$35,000 to the Company for working capital. The advance is non-interest bearing, unsecured and is due on demand.

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#### **8. Related Party Transactions**

Related party transactions are comprised of services rendered by directors and/or officers of the Company or a company with a director in common.

##### ***Key management compensation***

The Company considers its Chief Executive Officer, Chief Financial Officer and directors of the Company to be key management. The Company has incurred charges during the period from directors and senior management, or companies controlled by them, for management fees and consulting fees in the amount of \$19,500 (2014 - \$25,000). Amounts due to related parties are interest free and unsecured, and are payable on demand. The Company also recorded share based compensation for key management during the period in the amount of \$169,681 (2014 - \$166,500).

At Sep 30, 2015 a balance of \$12,000 (2014: \$0) is owing to the Chief Executive Officer and director for consulting fees. This amount is unsecured, non-interest bearing and due on demand.

#### **9. Share Capital**

##### **a) Authorized**

Unlimited common shares, without par value.

##### **b) Issued**

###### **During the period ended Sep 30, 2015:**

On July 31, 2015 the Company closed a private placement for a total of 1,749,500 units at a price of \$0.20 per unit for gross proceeds of \$349,900. Each unit consists of one (1) common share and one (1) whole warrant. Each warrant is exercisable at a price of \$0.30 until December 15, 2015. Upon exercise of a warrant, the shareholder will receive one common share and an additional half (1/2) warrant. Each whole warrant will be exercisable to receive one (1) common share at a price of \$0.45 until December 15, 2016. Finder's fees of \$3,885 cash and 19,425 warrants were paid to Canaccord Genuity Corp. and \$6,230 cash and 31,150 warrants were paid to Richardson GMP Limited. Each of the warrants issued to the finders will be exercisable at a price of \$0.30 until December 15, 2015.

On July 31, 2015 the Company settled debt in an aggregate amount of \$200,000 in exchange for the issuance of 1,000,000 units to an arm's length vendor. The debt settlement will be based on a deemed price of \$0.20 per unit. Each unit is comprised of one (1) common share and one (1) share purchase warrant where each share purchase warrant is exercisable for one common share at a price of \$0.30 per share until December 15, 2015.

In September of 2015, an aggregate of 121,550 common shares were issued as a result of the exercise of warrants. The Company received aggregate proceeds of \$36,465 in connection with the warrant exercises.

###### **During the year ended June 30, 2015:**

On July 10, 2014, the Company issued 450,000 common shares at a price of \$0.02 per share for total proceeds of \$9,000.

On July 31, 2014, the Company issued 3,000,000 common shares at a price of \$0.02 per share valued at \$60,000 pursuant to an asset purchase agreement (Note 5).

On September 12, 2014, the Company issued 1,200,000 common shares at a price of \$0.20 per share for total proceeds of \$240,000.

On December 31, 2014, the Company issued 396,000 common shares with a fair value of \$79,200, pursuant to the terms of the Arrangement (Note 4).

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### **Notes to the Consolidated Financial Statements**

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#### **9. Share Capital (continued)**

On February 2, 2015 the Company closed a private placement for a total of 505,166 units at a price of \$0.30 per unit for gross proceeds of \$151,550. Each unit consists of one common share and one share purchase warrant exercisable to purchase one common share at a price of \$0.75 for a period of one year. The Company paid share issue costs of \$3,500 and issued 22,167 broker warrants related to the private placement. Each broker's warrant is exercisable into one common share at a price of \$0.30 for a period of one year. Broker warrants associated with the private placement were allocated a fair value of \$1,642.

On April 9, 2015, the Company completed the acquisition of Foro whereby the Company issued 1,460,000 shares (Note 5). 960,000 of the common shares issued were deposited in escrow and may be cancelled if certain milestones are not achieved. No value has been recorded for the shares in escrow. The Company determined the fair value of the common shares not in escrow was \$145,000.

On April 9, 2015 the Company completed a private placement of 1,393,778 units at a price of \$0.18 per unit for gross proceeds of \$250,880. Each unit was comprised of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of Fundamental at a price of \$0.30 at any time prior to April 9, 2017. Finder's fees totaling \$7,345 in cash were paid and 40,250 broker warrants with a fair value of \$6,008 were issued in connection with this private placement. Each broker's warrant is exercisable into one common share at a price of \$0.30 for a period of two years.

On April 8, 2015 the Company issued 464,927 shares with a fair value of \$139,478 to settle debt of \$139,478 (Note 5).

#### During the period ended June 30, 2014

On April 4, 2014, the Company issued 2,000,000 common shares at a price of \$0.005 per share for total proceeds of \$10,000.

On June 12, 2014, the Company issued 7,000,000 common shares at a price of \$0.02 per share for total proceeds of \$140,000.



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## Notes to the Consolidated Financial Statements

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**9. Share Capital (continued)****c) Warrants**

The following table summarizes the warrants outstanding and exercisable at Sep 30, 2015, all of which were issued during the year ended June 30, 2015:

A summary of the Company's warrants is presented below:

|                              | <b># of Warrants</b>    | <b>Weighted Average<br/>Exercise Price</b> |
|------------------------------|-------------------------|--|
| Balance, Jun 30, 2014        | -                       | -  |
| Issued                       | 1,264,472               | \$ 0.48                                    |
| Expired                      | -                       | -  |
| Balance, Jun 30, 2015        | <u>1,264,472</u>        | \$ 0.48                                    |
| Issued                       | 3,240,075               | \$ 0.30                                    |
| Expired                      | -                       | -  |
| Exercised                    | <u>121,550</u>          | \$ 0.30                                    |
| <b>Balance, Sep 30, 2015</b> | <b><u>4,382,997</u></b> | <b>\$ 0.35</b>                             |

At Sep 30, 2015, the weighted average remaining contractual life of all warrants outstanding was 0.59 years and the weighted average exercise price was \$0.35.

The Company used the Black-Scholes option pricing model to estimate the fair value of the 50,575 warrants issued to brokers using the following assumptions:

|                         |               |
|-------------------------|---------------|
| Dividend yield          | Nil           |
| Annualized volatility   | 100%          |
| Risk-free interest rate | 0.4% - 1.01%  |
| Expected life           | 0.25 - 2 year |

**d) Share-based compensation**

The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed five years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant.

On September 18, 2014, the Company granted 850,000 share purchase options to directors and officers and consultants of the Company entitling the holders thereof the right to acquire one common share for each option at a price of \$0.50 until September 18, 2019. These options vested immediately.

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**9. Share Capital (continued)**

On April 9, 2015, the Company granted 100,000 share purchase options to a consultant of the Company entitling the holder the right to acquire one common share for each option at a price of \$0.28 until April 9, 2020. These options vested immediately.

On August 5, 2015, the Company granted 1,400,000 share purchase options to a consultant of the Company entitling the holder the right to acquire one common share for each option at a price of \$0.26 until August 5, 2020. These options vested immediately.

A continuity of the changes in the Company's share purchase options during the year ended June 30, 2015 and period ended Sep 30, 2015 is presented below:

|                              | <b>Options</b>   | <b>Weighted Average<br/>Exercise Price</b> |
|------------------------------|------------------|--|
| Balance, June 30, 2014       | -                | \$ -                                       |
| Granted                      | 950,000          | 0.48                                       |
| Cancelled                    | <u>(75,000)</u>  | 0.50                                       |
| Balance, June 30, 2015       | 875,000          | 0.47                                       |
| Granted                      | 1,400,000        | 0.26                                       |
| Cancelled                    | <u>(325,000)</u> | 0.50                                       |
| <b>Balance, Sep 30, 2015</b> | <b>1,950,000</b> | <b>\$ 0.32</b>                             |

At Sep 30, 2015, the weighted average remaining contractual life of all options outstanding was 4.64 years.

During the period ended Sep 30, 2015, stock based compensation of \$269,948 was recognized on the grant of these stock options. The weighted average grant date fair value of the options granted was \$0.19.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

|                         |               |
|-------------------------|---------------|
| Dividend yield          | Nil           |
| Annualized volatility   | 100%          |
| Risk-free interest rate | 0.41% - 1.01% |
| Expected life           | 5 years       |

**e) Share restrictions**

At Sep 30, 2015 4,200,000 common shares were subject to resale restrictions pursuant to stock restriction agreement.

## **FUNDAMENTAL APPLICATIONS CORP.**

### Notes to the Consolidated Financial Statements

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#### **10. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

##### *Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management does not believe the Company is exposed to significant interest rate risk cash is non interest bearing and liabilities bear interest at a fixed rate as at Sep 30, 2015.

##### *Foreign exchange risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

##### *Fair value*

The carrying value of cash, accounts payable and short term loans approximate their fair value due to the relatively short-term nature of these instruments.

##### *Capital Risk Management*

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue the development of mobile applications. As the Company is in the preliminary stages of operations, its principal source of funds is from the issuance of common shares.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements. There were no changes in management's approach to managing capital.

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## Notes to the Consolidated Financial Statements

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**11. Non Cash Transactions**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flow. During the period ended Sep 30, 2015, the Company:

- Issued 1,000,000 shares with a fair value of \$200,000 to settle debt (Note 9); and,
- Issued 55,575 brokers warrants with a fair value of \$3,058 in connection to private placements (Note 9).

**12. Subsequent Events**

There are no subsequent events.