



## **CARL CAPITAL CORP.**

### **Condensed Consolidated Interim Financial Statements**

Three and Nine Month Periods Ended March 31, 2015

Expressed in Canadian Dollars

Unaudited . Prepared by Management

#### **CONTENTS**

Statements of Consolidated Financial Position	1
Statements of Consolidated Comprehensive Loss	2
Statement of Consolidated Changes in Equity	3
Statements of Consolidated Cash Flows	4
Notes to the Consolidated Financial Statements	5-17

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

The accompanying unaudited condensed consolidated interim financial statements of Carl Capital Corp. for the three month and nine month periods ended March 31, 2015 have been prepared by the management of the Company and have been approved by the Company's audit committee and board of directors.

The accompanying unaudited condensed consolidated interim financial statements of 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 condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed consolidated interim financial statements by an entity's auditor.

**Consolidated Statements of Financial Position**

As at	Notes	March 31, 2015	June 30, 2014
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash		354,715	92,469
Amounts receivable	6	19,457	510
Prepaid expenses	11	1,054	5,000
<b>Total current assets</b>		<b>375,226</b>	<b>97,979</b>
Non-current assets			
Software in development	5 & 7	230,000	230,000
Goodwill	5	36,421	36,421
<b>Total assets</b>		<b>641,647</b>	<b>364,400</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	11	26,501	6,210
Short-term loan		4,000	4,000
<b>Total current liabilities</b>		<b>30,501</b>	<b>10,210</b>
Long term liabilities			
Deferred income taxes	5	52,000	52,000
<b>Total liabilities</b>		<b>82,501</b>	<b>62,210</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	962,347	373,500
Reserves	8	129,853	-
Issue costs	8	(124,062)	(10,000)
Deficit		(408,992)	(61,310)
<b>Total equity</b>		<b>559,146</b>	<b>302,190</b>
<b>Total equity and liabilities</b>		<b>641,647</b>	<b>364,400</b>

Subsequent events see note 16.

These condensed consolidated interim financial statements are authorized for issue by the board of directors on June 1, 2015. They are signed on the Company's behalf by:

"Greg Johnston"

Greg Johnston, President, Chief Executive Officer and Director

"Cale Thomas"

Cale Thomas, Chief Financial Officer and Director

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

**Consolidated Statements of Comprehensive Loss**

	Notes	January 17, 2014 (Incorporation date) to March 31, 2014	Three months ended March 31, 2015	Nine months ended March 31, 2015
		\$	\$	\$
Revenue				
Data services revenue		-	10,500	10,500
General and administrative expenses				
Consulting	11	29,000	56,366	87,666
Filing and transfer agent fees		550	16,087	24,059
Investor relations		-	17,998	17,998
Marketing costs		-	7,325	7,325
Occupancy costs		-	2,500	5,500
Office expenses		-	3,634	6,386
Professional fees		-	25,178	82,718
Share-based compensation		-	116,000	116,000
Travel Costs		-	10,531	10,531
		29,550	255,619	358,182
<b>Net Loss and comprehensive loss for the period</b>		<b>(29,550)</b>	<b>(245,119)</b>	<b>(347,682)</b>
Net Loss per share for the period - basic and diluted		n/a	(0.014)	(0.025)
<b>Weighted average common shares outstanding</b>		<b>n/a</b>	<b>17,275,556</b>	<b>14,135,766</b>

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

**Consolidated Statement of Changes in Equity**

For the period from January 17, 2014 (Date of incorporation) to March 31, 2015	Number of Shares	Share Capital \$	Share-based payment reserves \$	Issue Costs \$	Deficit \$	Equity \$
<b>Incorporation - January 17, 2014</b>	-	-	-	-	-	-
Issue of shares for cash	5,700,000	109,500	-	-	-	109,500
Issue of shares for settlement of debt	2,700,000	54,000	-	-	-	54,000
Issue of shares on acquisition of subsidiary	4,200,000	210,000	-	-	-	210,000
Issue costs	-	-	-	(10,000)	-	(10,000)
Loss and comprehensive loss for the period	-	-	-	-	(61,310)	(61,310)
<b>Balance - June 30, 2014</b>	<b>12,600,000</b>	<b>373,500</b>	<b>-</b>	<b>(10,000)</b>	<b>(61,310)</b>	<b>302,190</b>
Issue of shares for cash	5,875,000	585,000	-	-	-	585,000
Issue costs paid in cash	-	-	-	(96,362)	-	(96,362)
Agent's warrants granted	-	-	17,700	(17,700)	-	-
Fair value of agent's warrants exercised	-	3,847	(3,847)	-	-	-
Share-based compensation	-	-	116,000	-	-	116,000
Loss and comprehensive loss for the period	-	-	-	-	(347,682)	(347,682)
<b>Balance - March 31, 2015</b>	<b>18,475,000</b>	<b>962,347</b>	<b>129,853</b>	<b>(124,062)</b>	<b>(408,992)</b>	<b>559,146</b>

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

**Consolidated Statements of Cash Flows**

	January 17, 2014 (Incorporation date) to March 31, 2014	Three months ended March 31, 2015	Nine months ended March 31, 2015
	\$	\$	\$
Cash derived from (applied to):			
<b>Operating activities</b>			
Loss for the period	(29,550)	(245,118)	(347,682)
Adjustment for:			
Share-based compensation	-	116,000	116,000
	(29,550)	(129,118)	(231,682)
Changes in non-cash operating working capital items:			
Amounts receivable	-	(13,454)	(18,947)
Prepaid expenses	-	3,946	3,946
Accounts payable	29,550	(34,394)	20,291
	-	(173,020)	(226,392)
<b>Financing activities</b>			
Shares sold for cash	-	585,000	585,000
Deferred charges	-	34,319	-
Issue costs	-	(94,985)	(96,362)
	-	524,334	488,638
Net change in cash	-	351,314	262,246
Cash			
Beginning of period	-	3,401	92,469
End of period	-	354,715	354,715

Supplemental cash flow information (note 12)

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



# **Carl Capital Corp.**

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

For the three and nine month periods ended March 31, 2015

### **1. Nature of Operations and Going Concern**

Carl Capital Corp. (Carl Capital+or together with its wholly owned subsidiary, Extend to Social Media Inc. (ETS+), as applicable, the Company+) was incorporated under the Business Corporations Act (*British Columbia*) on January 17, 2014. Carl Capital is in the business of acquiring companies in the big data+industry sector in order to build and complement its own proprietary software as a service (SaaS+) based big data solutions for data integration and business intelligence. ETS was incorporated in the province of British Columbia on January 30, 2013, and its principal business is the collection of marketing data in the social network marketing industry. ETS has created a software technology that enables companies to reward existing customers for promoting or referring products and services to their social and business networks. Carl Capital acquired all of the outstanding share capital of ETS on May 30, 2014. On January 21, 2015, the Company listed its shares for trading on the Canadian Securities Exchange (CSE+).

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2015, the Company had not achieved profitable operations, had accumulated a deficit of \$408,992 since inception and expects to incur further operating losses in the development of its business. The Company's ability to continue as a going concern is dependent upon the ability to find, acquire and develop various businesses with growth potential, its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Therefore, this indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The head office and principal address of the Company is located at Suite 700 - 510 West Hastings Street, Vancouver, British Columbia V6B 1L8.

### **2. Basis of Preparation**

#### **Statement of Compliance**

These condensed consolidated interim financial statements for the three and nine month periods ended March 31, 2015, including comparatives, have been prepared in accordance with International Accounting Standards (IAS+) 34 *Interim Financial Reporting* (IAS 34+) using accounting policies consistent with International Financial Reporting Standards (IFRS+) issued by the International Accounting Standards Board (IASB+) and Interpretations of the International Financial Reporting Interpretations Committee. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the period from January 17, 2014 (date of incorporation) to June 30, 2014. As the incorporation date of the Company was January 17, 2014, there is no full comparative quarter information available for the period from July 1, 2013 to January 17, 2014. The period from January 17, 2014 to March 31, 2014 is shown for comparison. The Company's subsidiary, ETS, was in operation in the prior period so past financial information is available in the final long form prospectus for the Company filed on SEDAR at [www.sedar.com](http://www.sedar.com) on November 24, 2014.



## **Carl Capital Corp.**

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

For the three and nine month periods ended March 31, 2015

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

### **Basis of Measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis. The financial information is presented in Canadian dollars, which is the functional currency of the Company.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

## **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently by the Company, including its subsidiaries.

### a) Cash

Cash includes cash on hand and demand deposits with financial institutions. For cash flow statement presentation purposes, cash includes bank overdrafts.

### b) Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of Carl Capital and its controlled and wholly-owned subsidiary ETS. Control is achieved where the Company has power over an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the investor's returns. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

### *Business Combinations*

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquirer's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in earnings as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.



**3. Summary of Significant Accounting Policies (continued)**

## c) Software Development Expenditures

Software development expenditures consist of costs incurred to develop the Company's software to earn revenue with respect to the Company's business operations. Development costs are capitalized in accordance with IAS 38, *Intangible Assets*, and accordingly are recognized when the Company can demonstrate (i) the technical feasibility of the asset, (ii) the intention to complete and use or sell the asset, (iii) the ability to use or sell the asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset, and (vi) ability to reliably measure the expenditure attributable to the asset during its development. Costs that do not meet these criteria are considered research costs and are expensed as incurred.

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Software development costs are intangible assets with a finite useful life, and accordingly are amortized over the asset's estimated useful life commencing when the software is available for use, being when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When a project is deemed to no longer have commercially viable prospects to the Company, development expenditures in respect of that project are deemed to be impaired. As a result, those development costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

## d) Revenue Recognition

The Company earns revenue in its subsidiary, ETS through the supply of social referral software to clients and through data services to clients. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Consideration received from customers in advance is recorded as deferred revenue.

The recognition of Company revenues occurs when the amount of revenue can be reliably measured, the work involved in supplying the services has been substantially completed, it is probable that economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred can be reliably measured.

## e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company performs impairment testing on each cash-generating unit.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognised in comprehensive loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognised.



### 3. Summary of Significant Accounting Policies (continued)

#### f) Financial Instruments

The Company recognizes a financial instrument when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis.

The Company's accounting policy for each category is as follows:

##### *Fair Value Through Profit or Loss*

Instruments classified as fair value through profit or loss are recognized at fair value with changes in fair value recognized in profit or loss. The Company does not have any financial assets classified in this category.

##### *Held-to-Maturity*

Instruments classified as held-to-maturity are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. The Company does not have any financial assets classified in this category.

##### *Available-for-Sale*

These financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income and classified as a component of equity until the instrument is derecognized or impaired. The Company does not have any financial assets classified in this category.

##### *Loans and Receivables*

These assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortization process. The Company's cash, amounts receivable and prepaid expenses are classified in this category.

##### *Financial Liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise the Company's payables and short term loan. These liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**3. Summary of Significant Accounting Policies (continued)**

## g) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## h) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognises the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**3. Summary of Significant Accounting Policies (continued)**

## i) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

## j) Standards, Amendments and Interpretations Not Yet Effective

The following standards and interpretations have been issued but are not yet effective:

## IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018 but is not likely to have a material impact on the Company's consolidated financial statements.

**4. Critical Accounting Estimates and Judgements**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognised prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year are discussed below:

## Software in Development

The application of the Company's accounting policy for software development expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalised is written off in the profit or loss in the period the new information becomes available.

**5. Acquisition of Extend to Social Media Inc.**

On May 30, 2014, Carl Capital completed the purchase of ETS pursuant to the terms of a share exchange agreement between Carl Capital, ETS and the shareholders of ETS. Carl Capital purchased 100% of the outstanding common shares of ETS in exchange for 4,200,000 common shares of the Company. A corporation that was one of the shareholders of ETS received 466,620 of the common shares. The sole director of that corporation is a director of Carl Capital. The value of the shares issued pursuant to the purchase was based on the fair value of the software in development at the time of purchase as estimated by management with input from a third party valuator.

	May 30, 2014
	\$
<b>Purchase price consideration</b>	
Value of 4,200,000 common shares issued	210,000
<b>Assets acquired and liabilities assumed</b>	
Cash	1,275
Software in development	230,000
Current liabilities	(5,696)
Goodwill	36,421
Deferred income tax liabilities	(52,000)
	<u>210,000</u>

The software in development is the ETS software technology that enables companies to reward existing customers for promoting or referring products and services to their social and business networks. Income tax consequences of the transaction included a deferred income tax liability of \$52,000 which created, net, \$36,421 in goodwill.

**6. Amounts Receivable**

The amounts receivable is comprised of amounts owing from Canada Revenue Agency in respect of Goods and Services input tax credits accumulated by the Company, and receivables from a client company under the terms of a data services contract executed with them on February 1, 2015. The data services contract provides for a monthly fee of \$5,250 for six months in respect of certain data services provided by ETS. The composition of the Amounts Receivable is as follows:

	March 31, 2015	June 30, 2014
	\$	\$
Amounts due from Canada Revenue Agency for GST credit	11,970	510
Amounts due for services performed for clients	7,487	-
	<u>19,457</u>	<u>510</u>

## 7. Software in Development

A total of \$25,828 has been expended on third party software programmers in the development of the customer referral software that ETS has created. The remaining \$204,172 is a fair market valuation adjustment upon the purchase of ETS by Carl Capital. The following chart shows the composition of the value of the software in development:

	March 31, 2015 and June 30, 2014
	\$
Total expenditure on software development	25,828
Fair value adjustment on acquisition of ETS	204,172
<b>Value at end of period</b>	<b>230,000</b>

## 8. Share Capital and Reserves

### Share Capital

Share capital includes changes to the authorized capital of the Company. The authorized share capital comprises an unlimited number of common shares with no par value.

The following is a summary of changes in common share capital from inception January 17, 2014, to March 31, 2015:

	Number of Shares	Issue Price \$	Share Capital \$
<b>Incorporation - January 17, 2014</b>			
Private placement of shares	3,900,000	0.005	19,500
Shares issued for debt settlement	2,700,000	0.02	54,000
Private placement of shares	900,000	0.02	18,000
Issue of shares for acquisition	4,200,000	0.05	210,000
Private placement of shares	900,000	0.08	72,000
<b>Balance - June 30, 2014</b>	<b>12,600,000</b>		<b>373,500</b>
Initial public offerings	5,750,000	0.10	575,000
Exercise of warrants	100,000	0.10	10,000
Fair value of warrants exercised			3,847
<b>Balance - March 31, 2015</b>	<b>18,450,000</b>		<b>962,347</b>

**8. Share Capital and Reserves (continued)**

**Share Capital (continued)**

Initial Public Offering

On January 19, 2015 the Company successfully completed its initial public offering of a total of 5,750,000 common shares at a price of \$0.10 per share for proceeds of \$575,000. Costs of the offering include an 8% cash commission for a total of \$46,000, and listing and due diligence fees totaling \$50,362 for a total of \$96,362. In connection with the closing of the initial public offering, the Company granted warrants to acquire 460,000 common shares at an exercise price of \$0.10 per share until January 19, 2017 to the agent for the offering. The Company recognized a non-cash issue cost of \$17,700 related to the issue of the warrants with a corresponding increase in reserves. This expense was calculated using the Black-Scholes option valuation model with the following assumptions: Risk-free rate, 0.86%; Dividend yield, 0%; Expected volatility, 70%; and Expected option life, 2 years.

Fiscal 2014

On May 20, 2014 the Company issued 3,900,000 common shares at a price of \$0.005 per share for proceeds of \$19,500.

On May 28, 2014 the Company issued 900,000 common shares at a price of \$0.02 per share for proceeds of \$18,000 and settled certain debts through the issuance of 2,700,000 common shares at a price of \$0.02 per share.

On May 30, 2014 the Company issued 4,200,000 common shares at a deemed price of \$0.05 per share in exchange for all of the outstanding shares of ETS.

On June 18, 2014 the Company issued 900,000 common shares at a price of \$0.08 per share for proceeds of \$72,000.

**Reserves**

Reserves is comprised of the fair value of stock option grants and the fair value of warrants prior to exercise.

The Following is a summary of changes in reserves from January 17, 2014 (date of incorporation) to March 31, 2015:

	Share-based payments reserve \$
<b>Incorporation - January 17, 2014 and June 30, 2014</b>	-
Issue of Agent's warrants in respect of IPO	17,700
Share-based compensation	116,000
Fair value of warrants exercised	(3,847)
<b>Balance - March 31, 2015</b>	<b>129,853</b>

## 9. Warrants

On January 23, 2015, the agent for the initial public offering exercised 100,000 of its warrants for total proceeds to the Company of \$10,000.

The Company's activity related to share purchase warrants was as follows:

	Warrants outstanding \$	Weighted Average exercise price \$
<b>Incorporation - January 17, 2014 and June 30, 201</b>	-	-
Issued	460,000	0.10
Exercised	(100,000)	0.10
<b>Balance - March 31, 2015</b>	<b>360,000</b>	<b>0.10</b>

All outstanding warrants have an expiry date of January 19, 2017.

## 10. Share-based compensation

On January 22, 2015, the Company adopted an incentive stock option plan. Under the terms of this plan, the total number of share purchase options to be granted and outstanding may not exceed 10% of the total issued and outstanding common shares of the Company at the date of grant. Options may be granted with an exercise price equal to the market price of the common shares less any permitted discount on the grant date, vest according to privileges set at the time the options are granted and expire no later than five years from the date of grant.

Also on January 22, 2015, the Company granted a total of 1,835,000 stock options to various directors, officers and consultants to the Company. Each option is exercisable into one common share of the Company at a price of \$0.11 per share until January 21, 2020. On January 22, 2015 the Company recognized an expense of \$116,000 related to share-based compensation with a corresponding increase in reserves. This expense was calculated using the Black-Scholes option valuation model with the following assumptions: Risk-free rate, 0.84%; Dividend yield, 0%; Expected volatility, 70%; and Expected option life, 5 years.

## 11. Related Party Transactions and Balances

The terms and conditions of transactions with management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

On July 1, 2014, ETS entered into an executive consulting agreement for the services of the President and CEO of ETS, who is also a director of the Company. The counterparty to this agreement is a company which is a related party by way of the President and CEO of ETS being the sole director. Under the terms of this agreement, ETS will pay the company a total of \$4,000 per month plus GST in advance for the services of the President and CEO of ETS. Either ETS or the counterparty may terminate this agreement with 30 days notice. On February 23, 2015 Carl Capital entered into an executive consulting agreement for the services of its President and CEO with this same entity and under the same terms as the ETS agreement. The fees in both agreements have since been amended to \$5,000 per month. As at March 31, 2015, \$10,730 remained owing to this company.



**Notes to the Consolidated Financial Statements**

For the three and nine month periods ended March 31, 2015

**11. Related Party Transactions and Balances (continued)**

Total key management personnel compensation comprised the following:

	January 17, 2014 (Incorporation date) to March 31, 2014	Three month Period ended March 31, 2015	Nine month Period ended March 31, 2015
	\$	\$	\$
Consulting fees	27,000	45,000	69,000

Two key management personnel hold positions in other entities that result in their being deemed to have control or significant influence over the financial or operating policies of these entities. These entities transacted with the Company during the year.

Included in the above, the aggregate value of transactions related to entities over which key management has control or significant influence were as follows:

	January 17, 2014 (Incorporation date) to March 31, 2014	Three month Period ended March 31, 2015	Nine month Period ended March 31, 2015
	\$	\$	\$
Scharfe Holdings Inc. <sup>(i)</sup>	11,500	12,000	12,000
Bdirect Online Communications Inc. <sup>(ii)</sup>	-	24,000	48,000

<sup>(i)</sup> The Company uses the consulting services of Scharfe Holdings Inc. a Company with Bradley Scharfe as its sole director.

<sup>(ii)</sup> The Company uses the consulting services of BDirect Online Communications Inc., a Company with Greg Johnston as its sole director.

As at March 31, 2015, the Company had prepaid a total of \$1,054 to Scharfe Holdings Inc.

**12. Supplemental Cash Flow Information**

Non-cash financing activities included the following:

	January 17, 2014 (Incorporation date) to March 31, 2014	Three month Period ended March 31, 2015	Nine month Period ended March 31, 2015
	\$	\$	\$
Financing Activities:			
Fair Value of Agent's warrants issued	-	17,700	17,700
Fair Value of Agent's warrants exercised	-	3,847	3,847
Fair Value of options granted	-	116,000	116,000

**13. Segmented Information**

The Company has one reportable operating segment, being the development of referral marketing software and software services.



## **Carl Capital Corp.**

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

For the three and nine month periods ended March 31, 2015

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#### **14. Capital Management**

The Company's objective is to have sufficient working capital to maintain financial flexibility and to sustain its software development project. In order to maintain financial flexibility, the Company may from time to time issue shares and adjust its capital spending to manage current and projected cash requirements. To assess its financial strength, the Company continually monitors its cash balances and working capital. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

#### **15. Financial Risk Management**

##### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. At March 31, 2015, the Company was not subject to significant market risk.

##### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At March 31, 2015, the Company was not subject to significant interest rate risk.

##### **Credit Risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk at the reporting date is related to the collection of amounts receivable from customers and Canada Revenue Agency. Other credit risk is related to the carrying value of cash, which the Company holds at a major Canadian chartered bank in a chequing account, and in a cash account with a Canadian Investment Dealer.

##### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and matching the maturity profile of financial assets to development, capital and operating needs. The Company's accounts payable are due within 30 to 60 days, and the short-term loan has no interest rate or deadline for repayment.



## **16. Subsequent Events**

On April 8, 2015, the Company has entered into a letter of intent (the "LOI") with Seattle-based FlowWorks Inc. (FlowWorks) and its two major shareholders regarding a potential share exchange agreement whereby a number of Carl shares would be issued to the shareholders of FlowWorks in return for all of FlowWorks' outstanding common shares.

FlowWorks is a privately held software and engineering company that helps its clients analyze and understand all forms of environmental data. With sales of \$831,000 in 2014, FlowWorks is a niche market provider with the potential to branch out into many different complementary markets. The FlowWorks system contains a powerful suite of data collection, monitoring, analysis and reporting tools that enables clients to efficiently manage all of their monitoring systems through a single interface. This interface consolidates data, allowing clients to perform real-time analysis, alarm monitoring and report creation from any web browser. FlowWorks' software allows for the collection and transformation of a client's raw data from many disparate sources so that it can easily be displayed on this interface.

The LOI allows Carl and FlowWorks to begin the process of negotiating final purchase terms and sharing information so that each party can complete any required due diligence. The LOI calls for a definitive agreement to be signed by May 20, 2015, but the parties amended the agreement to extend this date to May 29, 2015. The parties are currently negotiating a further extension of the LOI.