

Financial Statements

BUDDY PLATFORM, INC.

Years Ended June 30, 2015, 2014 and 2013

and

Independent Auditor's Report

Hellam | Varon
CERTIFIED PUBLIC ACCOUNTANTS

BUDDY PLATFORM, INC.

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Independent Auditor's Report

To the Stockholders
Buddy Platform, Inc.

We have audited the accompanying financial statements of Buddy Platform, Inc., which comprise the balance sheets as of June 30, 2015, 2014 and 2013, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buddy Platform, Inc as of June 30, 2015, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hellam, Varon & Co. Inc.
August 15, 2015

BUDDY PLATFORM, INC.
BALANCE SHEETS
June 30, 2015, 2014 and 2013

ASSETS	2015	2014	2013
<i>Current assets:</i>			
Cash and cash equivalents	\$ 60,489	\$ 61,706	\$ 75,715
Accounts receivable and unbilled revenue	121,043	63,000	-
Prepaid expenses and other current assets	2,500	11,209	6,582
Total current assets	<u>184,032</u>	<u>135,915</u>	<u>82,297</u>
Property and equipment, net	72,088	116,869	143,560
Deposits	<u>9,705</u>	<u>9,705</u>	<u>-</u>
	<u>81,793</u>	<u>126,574</u>	<u>143,560</u>
	<u>\$ 265,825</u>	<u>\$ 262,489</u>	<u>\$ 225,857</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Current liabilities:</i>			
Accounts payable	\$ 58,928	\$ 17,572	\$ 19,270
Accrued liabilities	31,964	7,548	70,666
Deferred revenue	<u>92,290</u>	<u>48,081</u>	<u>-</u>
Total current liabilities	<u>183,182</u>	<u>73,201</u>	<u>89,936</u>
Loans from investors	<u>745,965</u>	<u>-</u>	<u>1,655,000</u>
Stockholders' equity:			
Common stock - \$0.001 par value; authorized 17,000,000 shares	5,642	5,577	6,000
Preferred stock - \$0.001 par value; authorized 5,643,740 shares	4,261	3,987	-
Additional paid-in capital	3,482,649	3,163,291	-
Accumulated deficit	<u>(4,155,874)</u>	<u>(2,983,567)</u>	<u>(1,525,079)</u>
Total stockholders' equity (deficit)	<u>(663,322)</u>	<u>189,288</u>	<u>(1,519,079)</u>
	<u>\$ 265,825</u>	<u>\$ 262,489</u>	<u>\$ 225,857</u>

See accompanying notes to financial statements.

BUDDY PLATFORM, INC.
STATEMENTS OF OPERATIONS
Years Ended June 30, 2015, 2014 and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Revenues:</i>			
Sales	\$ 95,789	\$ 40,320	\$ 525,005
Other	-	-	2,400
	<u>95,789</u>	<u>40,320</u>	<u>527,405</u>
<i>Operating expenses:</i>			
Selling, travel and marketing	141,413	93,413	162,511
Research and development	99,116	184,148	552,354
Salaries, payroll taxes and benefits	733,913	887,251	756,033
Depreciation	32,850	34,330	23,347
General and administrative	252,012	273,153	191,715
	<u>1,259,304</u>	<u>1,472,295</u>	<u>1,685,960</u>
Operating loss	<u>(1,163,515)</u>	<u>(1,431,975)</u>	<u>(1,158,555)</u>
<i>Other income (expense):</i>			
Interest income	72	659	940
Interest expense	(15,217)	(30,172)	(59,528)
Gain on sale of assets	6,353	3,000	-
	<u>(8,792)</u>	<u>(26,513)</u>	<u>(58,588)</u>
Loss before income taxes	(1,172,307)	(1,458,488)	(1,217,143)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (1,172,307)</u>	<u>\$ (1,458,488)</u>	<u>\$ (1,217,143)</u>

See accompanying notes to financial statements.

BUDDY PLATFORM, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
Years Ended June 30, 2015, 2014 and 2013

	Common stock		Preferred stock		Additional paid-in capital	Accumulated deficit	Total
	Number of shares	Par value	Number of shares	Par value			
Balance, June 30, 2012	6,000,000	\$ 6,000	-	\$ -	\$ -	\$ (307,936)	\$ (301,936)
Net loss	-	-	-	-	-	(1,217,143)	(1,217,143)
Balance, June 30, 2013	6,000,000	6,000	-	-	-	(1,525,079)	(1,519,079)
Notes and interest converted to Series A stock	-	-	3,117,730	3,118	2,212,720	-	2,215,838
Issuance of Series A stock	-	-	869,167	869	949,131	-	950,000
Warrant exercised	160,000	160	-	-	1,440	-	1,600
Shares repurchased	(583,334)	(583)	-	-	-	-	(583)
Net loss	-	-	-	-	-	(1,458,488)	(1,458,488)
Balance, June 30, 2014	5,576,666	5,577	3,986,897	3,987	3,163,291	(2,983,567)	189,288
Issuance of Series A stock	-	-	274,473	274	299,726	-	300,000
Options exercised	64,687	65	-	-	-	-	65
Options issued	-	-	-	-	19,632	-	19,632
Net loss	-	-	-	-	-	(1,172,307)	(1,172,307)
Balance, June 30, 2015	5,641,353	\$ 5,642	4,261,370	\$ 4,261	\$ 3,482,649	\$ (4,155,874)	\$ (663,322)

See accompanying notes to financial statements.

BUDDY PLATFORM, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015, 2014 and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Cash flows from operating activities:</i>			
Net loss	\$ (1,172,307)	\$ (1,458,488)	\$ (1,217,143)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	32,850	34,330	23,347
Gain on sale of equipment	(6,353)	(3,000)	-
Accrued interest converted to equity	-	100,838	-
Compensation related to stock options	19,632	-	-
Changes in operating assets and liabilities:			
Accounts receivable and unbilled	(58,043)	(63,000)	-
Prepaid expenses and current assets	8,709	(4,627)	(6,582)
Security deposit	-	(9,705)	-
Accounts payable	41,356	(1,698)	(6,209)
Accrued liabilities	24,416	(63,118)	59,528
Deferred revenue	44,209	48,081	-
Net cash used in operating activities	<u>(1,065,531)</u>	<u>(1,420,387)</u>	<u>(1,147,059)</u>
<i>Cash flows from investing activities:</i>			
Property and equipment expenditures	(7,091)	(7,639)	(106,192)
Proceeds from sale of equipment	25,375	3,000	-
Net cash provided by (used in) investing activities	<u>18,284</u>	<u>(4,639)</u>	<u>(106,192)</u>
<i>Cash flows from financing activities:</i>			
Proceeds from convertible promissory notes	745,965	460,000	875,000
Proceeds from sale of common stock	65	1,600	-
Proceeds from sale of preferred stock	300,000	950,000	-
Redemption of common stock	-	(583)	-
Net cash provided by financing activities	<u>1,046,030</u>	<u>1,411,017</u>	<u>875,000</u>
<i>Cash and cash equivalents:</i>			
Net decrease	(1,217)	(14,009)	(378,251)
Beginning of year	61,706	75,715	453,966
End of year	<u>\$ 60,489</u>	<u>\$ 61,706</u>	<u>\$ 75,715</u>
<i>Supplemental cash flow disclosures:</i>			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid (refunded) for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BUDDY PLATFORM, INC.
NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business - Buddy Platform, Inc. ("Buddy" or "the Company") is headquartered in Seattle, Washington and provides a cloud-based data management platform for any IoT, M2M or connected device. You can use Buddy to capture the telemetry that your system of devices generates, you can aggregate this data with other external sources, you can build a mobile application using Buddy as your complete backend, or you can use Buddy as a "data exchange" to take data from all device types and push it into your BI, visualization, M2M or big data systems.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. Credit terms are granted to the customers of the Company based upon terms and conditions decided after the Company performs a standard credit evaluation, or at management's discretion. Generally, management requires no collateral prior to the extension of credit.

The Company maintains its cash balances and money market accounts in one financial institution. At times cash balances may be in excess of the FDIC insurance limits.

Cash equivalents - For purposes of the statement of cash flows, the Company considers all money market funds to be cash equivalents.

Accounts receivable - Accounts receivable, which are uncollateralized, are based on amounts invoiced. Bad debts are provided for using the allowance method based on historical experience and management's evaluation of outstanding accounts receivable balances at the end of each year. The Company's customers are located worldwide and are concentrated in telecommunications and high-tech industry groups. At June 30, 2015, two customers accounted for the outstanding accounts receivable. The Company's revenues have been concentrated within a few customers each year.

BUDDY PLATFORM, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment - Property and equipment are stated at cost, less accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets. Computer equipment is depreciated over three years; furniture and equipment is depreciated over five to seven years. Repairs and maintenance that do not improve or extend the lives of the respective assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Revenue recognition - The Company recognizes revenues as services are provided. Billings rendered subsequent to year-end for services provided prior to year-end are accrued and recorded as unbilled receivables. Billings rendered in advance of services performed are recorded as deferred revenue.

Research and development costs - Research and development costs, which include development costs, are expensed as incurred. FASB ASC 730, *Research and Development Costs*, requires the capitalization of certain software development costs once technological feasibility is established, which the Company defines as completion of a working model. The period of time between the achievement of technological feasibility and the general availability of the Company's products has been short and software development costs qualifying for capitalization are insignificant. Accordingly, the Company has not capitalized any development costs to date.

Income taxes - Deferred income taxes are provided in amounts sufficient to give effect to temporary differences between financial and tax reporting. A deferred tax asset or liability is determined based on the differences between the financial statement and tax bases of assets and liabilities as measured by the expected tax rates which will be in effect when these differences reverse. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

Management evaluates its income tax positions on a regular basis and believes it has taken no significant uncertain tax positions that could result in additional taxes to the Company. The Company has not recognized any interest or penalties associated with uncertain tax positions.

The Company files U.S. income tax returns, and may be subject to income taxes in states in which it conducts business. All tax returns filed for tax years after 2010 remain subject to examination by the Internal Revenue Service and state agencies.

BUDDY PLATFORM, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based compensation - The Company accounts for stock-based compensation under the provisions of FASB ASC 718, *Compensation-Stock Compensation*, effective January 1, 2006. The provisions require the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. Stock-based compensation is discussed further in Note 7.

Presentation of sales taxes - The Company operates in states, including Washington, which impose a sales tax on the Company's sales to nonexempt customers. The Company collects sales tax from customers and remits the entire amount to the States. The Company's accounting policy is to exclude the tax collected and remitted to the States from revenues and cost of revenues.

2. STATEMENTS OF CASH FLOWS

Supplemental schedule of noncash investing and financing activities:

During October 2013, outstanding convertible promissory notes of \$1,865,000, along with \$100,838 of accrued interest, were converted to Series A Preferred stock.

In October 2013, a promissory note of \$250,000 was also converted to Series A Preferred stock.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Computer equipment	\$102,919	\$143,151	\$137,341
Furniture and fixtures	8,220	8,220	8,220
Office equipment	27,993	26,322	24,494
	<u>\$139,132</u>	<u>\$177,693</u>	<u>\$170,055</u>

BUDDY PLATFORM, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

4. CONVERTIBLE PROMISSORY NOTES

Outstanding loans at June 30, 2015 represent two rounds of financing.

The first represents 21 loans ranging from \$1,250 to \$100,000. All are due one year from issuance, require interest at 5.00% and are convertible to Series A Preferred stock. Among other terms, the holder may convert at any time before the maturity date; the notes will automatically convert upon certain financing closings or an acquisition event. The equity conversion price is \$0.5465 per share.

The second represents 8 loans ranging from \$10,000 to \$100,000. All are due one year from issuance, require interest at 5.00% and are convertible to Series A Preferred stock. Among other terms, the holder may convert at any time before the maturity date; the notes will automatically convert upon certain financing closings or an acquisition event. The equity conversion price is \$1.02 per share. Certain acquisition events result in the notes being repaid at two times the principal amount.

5. LEASE COMMITMENTS

The Company entered into a lease for Seattle office facilities in December 2013. The lease expires in December 2016 and requires the Company to pay a pro rate share of operating expenses such as maintenance, insurance and property taxes.

The following is a schedule of future minimum lease payments for operating leases (with initial or remaining terms in excess of one year) as of June 30, 2015:

	Minimum payments
2016	\$113,468
2017	<u>58,227</u>
	<u>\$171,695</u>

Rental expense included in the statements of operations is \$111,508 in 2015, \$77,276 in 2014 and \$41,563 in 2013.

BUDDY PLATFORM, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. EQUITY AGREEMENTS

The Company and its founding stockholders are party to a *Common Stock Purchase Agreement* which provides for certain restrictions on the transfer of Company stock. The agreement provides rights of first refusal to the Company to purchase the Company's stock from selling stockholders upon the occurrence of certain events.

The Company and its Series A Preferred Stock investors are party to an *Investor Rights Agreement* which provides for certain restrictions on the transfer of Company stock. The agreement provides rights to purchase additional stock upon the occurrence of certain events.

7. STOCK OPTIONS

In 2011, the Company's Board of Directors adopted and approved the Company's 2011 Stock Plan (the Plan), which provides for the issuance of nonqualified and incentive stock options to employees, consultants and directors to acquire up to 2,000,000 shares of common stock. The Board of Directors determines the terms and conditions of options granted under the Plan, including the exercise price. The exercise price for incentive stock options shall not be less than estimated fair market value at the date of grant. The exercise price for incentive stock options granted to a stockholder with greater than 10% voting power shall not be less than 110% of fair market value on the date of the grant. Options generally vest over a period of three or four years.

The fair market of stock options is estimated using the valuation model for the disclosure-only provisions of FASB ASC 718-20, the Company is using the Black-Scholes option pricing model to value the compensation expense associated with the stock-based awards. In addition, the Company does not estimate forfeitures. Changes in actual forfeitures will be recognized through an adjustment in the period of change and will also impact the amount of compensation expense to be recognized in future periods. The Company recognizes compensation expense as the shares vest, with the following weighted average assumptions for each of the periods:

Risk-free interest rate	3.25%
Expected dividend yield	0%
Expected life (years)	3.5
Expected volatility	25%

BUDDY PLATFORM, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

7. STOCK OPTIONS (continued)

FASB ASC 718-20 requires companies to estimate expected volatility over the expected term of the options granted. The expected stock price volatility rate is based on historical volatility of other technology companies and represents management's best estimate of expected volatility. The risk-free interest rates used in the valuation method are based on the current prime rate in effect at the time of grant for periods corresponding with the expected life of the option. The average expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and historical exercise patterns.

A summary of option activity under the Plan as of June 30, 2015, 2014 and 2013, and changes during the years then ended is as follows:

	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
Outstanding at June 30, 2012	90,000	\$0.001		
Awarded	392,500	\$0.001		
Cancelled	<u>(10,000)</u>	\$0.001		
Outstanding at June 30, 2013	472,500	\$0.001		
Awarded	455,928	\$0.470		
Cancelled	<u>(7,500)</u>	\$0.001		
Outstanding at June 30, 2014	920,928	\$0.233		
Awarded	195,387	\$0.470		
Exercised	(64,687)	\$0.001		
Cancelled	<u>(26,250)</u>	\$0.014		
Outstanding at June 30, 2015	<u>1,025,378</u>	\$0.296	<u>2.21</u>	<u>\$ 0</u>
Exercisable at June 30, 2015	444,566	\$0.898	<u>2.21</u>	<u>\$ 0</u>

Compensation cost to be recognized in future periods totals \$44,669 as of June 30, 2015.

8. STOCK WARRANTS

The Company has 782,406 outstanding warrants as of June 30, 2015. The exercise price per share is \$0.01 and expire in October 2023 or upon a change in control.

The Company has additional outstanding warrants in a number equal of one-half percent of the capital stock outstanding on a fully diluted as converted basis on the closing date of the initial funding. The exercise price per share is the fair market value established on the closing date of the initial funding and expire in October 2021.

BUDDY PLATFORM, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

9. RELATED PARTY TRANSACTIONS

The Company's CEO owns a majority of the outstanding common stock.

The majority of the convertible promissory notes described in Note 4 are from owners of Series A Preferred stock. Several of these individuals are relatives of the CEO.

10. INCOME TAXES

The components of income tax expense (benefit) are as follows:

	2015	2014	2013
Current	\$ (285,500)	\$ (362,700)	\$ (316,600)
Deferred and valuation allowance	285,500	362,700	316,600
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The components of deferred tax assets (liabilities) are as follows at June 30:

	2015	2014	2013
Current deferred tax items:			
Net operating loss carryforward	\$1,035,300	\$ 742,400	\$ 378,000
Valuation allowance	(1,035,300)	(742,400)	(378,000)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term deferred tax items:			
Depreciation	\$ (12,100)	\$ (19,600)	\$ (21,300)
Net operating loss carryforward	12,100	19,600	21,300
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

An effective tax rate of approximately 25% is used to estimate deferred taxes based on management's expectation of future taxable income.

A valuation allowance has been recorded on the net deferred tax assets due to the uncertainty of realization. The Company has a net operating loss carryforward of approximately \$4,190,000 which begins to expire in 2032.

BUDDY PLATFORM, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

11. LIQUIDITY AND DEBT FUNDING

As shown in the accompanying balance sheets, liabilities exceed assets by a significant amount.

The ability of the Company to continue as a going concern is dependent on its ability to expand its customer base and/or continue to obtain financing from investors. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

12. SUBSEQUENT EVENTS

Additional convertible promissory notes have been issued totaling \$260,000.

The Company has entered into an option agreement to be acquired by Potash Minerals Limited.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 15, 2015, the date the financial statements were available for issue.