



CARL DATA SOLUTIONS INC.

(FORMERLY CARL CAPITAL CORP.)

Management's Discussion and Analysis

For the Year Ended June 30, 2015



Management's Discussion & Analysis of Operating Results and Financial Condition for the Year Ended June 30, 2015

October 28, 2015

The following management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Carl Data Solutions Inc. (Formerly Carl Capital Corp.) ("Carl" or together with its wholly owned subsidiary, Extend to Social Media Inc. ("ETS") as applicable, the "Company") for the year ended June 30, 2015 and the audited consolidated financial statements of the Company for the period from January 17, 2014 (incorporation) to June 30, 2014 prepared under International Financial Reporting Standards ("IFRS").

Monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

Additional information relating to the Company and other regulatory filings can be found on the SEDAR website at www.sedar.com.

Advisory Regarding Forward-Looking Statements

Certain statements contained in this document constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate" and "believe", are intended to identify forward-looking statements. Such statements reflect the Company's forecast, estimate, expectation and similar expressions as they relate to the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions.

The forward-looking statements contained in this MD&A are made as of the date hereof and represent the Company's views as of the date of this document. While the Company believes that the expectations reflected in the forward-looking statements and information contained herein are reasonable, no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct. The Company acknowledges that subsequent events and developments may cause the views expressed herein to change, however, the Company has no intention and undertakes no obligation to update, revise or correct such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities law. **Therefore, there can be no assurance that forward-looking information contained herein will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.**



OVERVIEW

Carl is a developer of Big-Data-as-a-Service (BaaS)-based solutions for data integration and business intelligence.

The Company's current business model is to continue developing its enterprise platform of web- and mobile-based services that allow companies to leverage their customers' social networks for referral marketing (the SaaS Software), which is currently in the working prototype stage only. However, in the longer term the Company anticipates completing one or more targeted acquisitions that demonstrates several of the following traits:

- Innovative and unique concept with potential to build on big data solutions;
- Founded by a visionary of their industry where the acquired company can utilize other innovations created by this key person;
- Potential for exponential growth in a market with large demand;
- Understandable technology that investors can comprehend;
- Proven or at least partially field tested technology; and/or
- Potential to complement a concept already in Carl's portfolio.

The structure of each acquisition may differ in many respects with Carl acquiring 100% of the target in some cases, or a lower percentage with or without the possibility of acquiring a larger stake as an option or by some kind of performance measure. Structure will be determined on a case-by-case basis to maximize the value and control risk for the shareholders of Carl. The Company has not yet adopted a formal acquisition or investment policy.

Acquisition of FlowWorks Inc.

On October 13, 2015, the Company completed its 100% acquisition of FlowWorks Inc. (FlowWorks), owner of a software-as-a-service web-based online application that provides its clients with advanced tools to analyse environmental data, by issuing 7,629,397 common shares of the Company to two shareholders of FlowWorks.

One shareholder of FlowWorks, holding approximately 11% of FlowWorks, has dissented to the transaction. The Company agreed to assume any obligation in connection with payment of fair value for such dissenting shares and all expenses in connections with dissenters' right obligations of FlowWorks.

Information from FlowWorks has not been finalized and as such, the Company has not completed its purchase price allocation as of the date of release.

Initial Public Offering and Share Listing

On January 21, 2015 Carl listed its common shares for trading on the Canadian Securities Exchange (CSE) and on January 19, 2015 completed its initial public offering of 5,750,000 shares which included a 750,000 share over allotment at a price of \$0.10 per share for gross 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 or a total of \$96,362. A total of 460,000 share purchase warrants were granted to the agent in respect of the offering. These warrants have an expiry date 24 months from the date of the initial public offering and have an exercise price of \$0.10. On January 23, 2015, the agent for the offering exercised 100,000 of its warrants for total proceeds to the Company of \$10,000.



Going Concern

This MD&A and the audited consolidated financial statements have been prepared on the basis that the Company will remain a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the Company's next fiscal year. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

The Company has not generated revenue from operations. During the year ended June 30, 2015, the Company incurred an operating loss of \$512,726, and as at June 30, 2015, the Company had a deficit of \$574,036. The Company had working capital of \$419,400 as at June 30, 2015, and the Company expects to incur further operating losses for the foreseeable future in the development of its business and expects that it will require additional financing. 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, with ETS as the Company's first development opportunity. 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. As a result of the above, realization values may be substantially different from the carrying values shown and the audited consolidated 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.

OPERATING ACTIVITIES

ETS Software in Development

A total of \$33,139 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 acquisition of ETS by Carl. The following table shows the composition of the value of the software in development:

	Expenditure on software development	Fair value adjustment on acquisition of ETS	Total
Balance, January 17, 2014	\$ -	\$ -	\$ -
Acquisition of ETS	<u>25,828</u>	<u>204,172</u>	<u>230,000</u>
Balance, June 30, 2014	25,828	204,172	230,000
Expenditure on software development	<u>7,311</u>	<u>-</u>	<u>7,311</u>
Balance, June 30, 2015	\$ 33,139	\$ 204,172	\$ 237,311

Phase I

Strategy and Timeline

Following the completion of its initial public offering, the Company has sufficient funds available to complete the development of Phase I, which will allow ETS to engage clients (directly or indirectly) through several marketing agencies. These agencies will be sourced through a combination of personal contacts that the principals of the Company have developed throughout their years of industry experience, and word-of-mouth from agencies that hear about successful campaigns completed using the ETS Software.

The Company plans to hire one-part time salesperson in early 2016 at a cost of approximately \$2,000 per month to assist the CEO of ETS in developing new business through autumn 2016, when it expects the salesperson to assume a full time position at roughly twice the cost. The new business is expected to drive ETS's revenue through 2016 although it should be noted that as of the date of this MD&A, ETS has not generated any revenue from the referral software and does not expect to do so until early 2016.

Phase I operations will continue indefinitely. The sales force is budgeted to increase steadily as required to maintain growth.

Software Development

The ETS Software is currently adequate to run test campaigns with early adopter clients. ETS plans to include the following features in the software as part of Phase I:

- standardized reports, since customers are currently required to export campaign data, format it, and then import it into the data mining program of their choice;
- a selective data gathering tool that will enable users to gather different levels of personal information depending on the social media network through which a referral occurs; and
- minimum referral thresholds that will enable agencies to establish a campaign requirement for generating a certain number of referrals before rewards are provided.

To encourage agencies and clients beyond early adopters to become customers of ETS, the ETS Software must be augmented to be more user-friendly and allow for better monitoring, and the results easier to measure. The Company has budgeted \$41,000 to devote to developer time and the cost of certain third party software licenses to improve the ETS Software to the point where ETS's potential customer base will be more inclined to implement the software in marketing campaigns.

Phase II

Strategy and Timeline

The goal of Phase II is to create a website that will allow clients to work directly with ETS to create their own marketing campaigns rather than through an advertising agency as in Phase I. It will therefore require the ETS Software to be more robust and include an enhanced user interface.

Smaller companies often do not have sufficient marketing budgets or sophisticated enough strategies to contract with marketing and advertising agencies. Phase II of the ETS Software was designed to access this market and is intended to operate as a self-serve application. The key to this phase is to develop software with an easy-to-use graphic user interface that permits customers to complete a series of steps in order to create a marketing campaign for their customer database, including uploading their contact list to a website and sending out the promotion. The Company intends to design the software to deliver new referral contacts to client companies and also to help them manage

and profit from their customers' social media profile information and other key metrics using standardized reports automatically generated through the software.

Beginning in summer 2016, ETS expects to commence the development of this capability with an anticipated launch date of spring 2017. Over time, Phase II is expected to drive the majority of ETS's growth.

Software Development

The Company has budgeted \$114,000 in developer time and the cost of certain third party software licenses to develop the self-serve ETS Software to the point where customers can implement it in their own marketing campaigns with little or no input from ETS. ETS plans to offer support from sales staff online and via telephone, but the goal is to minimize any offline interaction with customers.

ETS plans to include the following features in the software as part of Phase II:

- an attractive and intuitive landing page;
- mobile, desktop and email templates that can be employed with ease by users with limited technical skills;
- enhanced gamification (or game mechanics) options;
- increased triggered messaging options;
- automated billing;
- a customer support portal including a FAQ section;
- a custom single-use URL generator for each marketing campaign; and
- application interfaces that enable the ETS Software to integrate with industry-leading customer relationship management (CRM) and marketing automation software.

Phase II Marketing Plan

ETS must attract the companies that will eventually become its self-serve clients using marketing methods such as online advertising of various types and other electronic business-to-business methods, including paid search advertising based on certain keywords in search engines, search engine optimization, blog and web posts on ETS's website and other industry-focused discussion sites, and affiliate programs, all of which will allow ETS to generate traffic to the self-serve website from other websites that currently offer target clients related services. ETS will also use other concepts to expand its marketing reach, but for this to happen, ETS will need to generate a database of contacts using these methods as a starting point.

Selected Annual Information

Several selected statistics for the year ended June 30, 2015 are as follows:

	June 30, 2015
Revenue	\$26,250
Loss and comprehensive loss	(\$512,726)
Basic and diluted comprehensive loss per common share	(\$0.03)
Total assets	\$749,039
Total liabilities	\$52,907

During the year, the Company was focused on preparing for its initial public offering and is now focused on developing the ETS software for commercial release.

Operating expenses during the year increased in the latter half of the year after the initial public offering was completed. Consulting fees paid to consultants for services rendered in the organization



and early development of the Company and fees paid to professionals for the preparation of the Company's prospectus were the largest expenditures. Of the fees paid to consultants, \$78,300 was paid to the President and CEO of both Carl and ETS under the executive consulting agreement disclosed in the related party transactions section on page 11.

Comparative Quarterly Results

The following table sets out selected consolidated quarterly information for the fiscal quarters in the period from January 17, 2014 (date of incorporation) to June 30, 2015.

			Quarter 3 ended March 31, 2014 \$	Quarter 4 ended June 30, 2014 \$
Revenue			-	-
Earnings (Loss)			(29,550)	(31,760)
Net Loss per common share			n/a	0.007
	Quarter 1 ended September 30, 2014 \$	Quarter 2 ended December 31, 2014 \$	Quarter 3 ended March 31, 2015 \$	Quarter 4 ended June 30, 2015 \$
Revenue	-	-	10,500	15,750
Earnings (Loss)	(62,901)	(39,664)	(245,119)	(165,042)
Net Loss per common share	0.005	0.003	0.014	0.02

The Company is in the startup phase of operations so most expenses in the period from inception (January 17, 2014) to June 30, 2015 pertained to consulting fees and professional fees for services relating to the incorporation and strategy of the Company, the negotiation of the purchase of ETS, and the preparation for the initial public offering and the listing of the shares on the CSE.

Overall operating loss in the three-month period ended June 30, 2015, was \$165,042 of which \$200,261 was consulting and professional fees, and an offsetting recovery on deferred income taxes. The previous three-month period from January 1, 2015 to March 31, 2015 had a loss of \$245,119 which was also primarily consulting and professional fees. The increase in the fourth quarter related to the acquisition of FlowWorks completed subsequent to year-end.

Analysis of the Year Period Ended June 30, 2015 Revenues

The Company is in the early stages of developing the software of ETS and does not have revenues to report from its referral marketing operations. In the year ended June 30, 2015, the Company reported \$26,250 in revenue pertaining to the terms of a data services contract executed with a company 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 and was extended for 1 year August 1st at a monthly rate of \$8,000.

Operating Expenses

Consulting and professional fees

Consulting and professional fees for the year ended June 30, 2015 were \$168,557 and \$202,088, respectively. The majority of the consulting expenses occurred in the last six months of the year (\$137,257) with the listing of the Company's shares on the CSE completed and activities commencing to develop the ETS software and search out clients for when software development and testing is completed. Legal fees were highest in quarters 1 and 4 of the year at \$38,469 and \$35,244, respectively, as that was when most of the work was carried out for the listing of the Company. The middle three month periods of the year had lower expenses (\$19,071 and \$25,178 respectively) as the Company awaited responses from various regulatory agencies for its listing and IPO.

Occupancy costs and office expenses

Occupancy costs and office expenses for the year ended June 30, 2015 were \$10,000 and \$12,876, respectively. Occupancy costs have been level at \$500 per month for office rent until March 1, 2015. Offices for the Company have been procured on a month to month basis and rent of \$500 per month is now increasing as more office space for staff is needed. Current office rent is \$1,500 per month. Office expenses increased in the recent three-month period to \$6,489 from \$3,634 for the previous three-month period, again as a result of added activity now that the company has completed its initial public offering, including additional personnel providing services to the Company.

Filing and transfer agent fees and Investor Relations

The Company has begun incurring filing and transfer agent fees pertaining to its listing on the Canadian Securities Exchange and has decided to undertake an investor relations campaign to ensure that the Company maintains access to public markets for fund raising that so that current shareholders can benefit from an active market for their shares.

Marketing costs and Travel expenses

In the promotion of the ETS business and the development of the ETS software, the Company has undertaken efforts to promote the company on various web based and other electronic means. Travel has also been necessary in developing new contacts, both as clients for the ETS referral product and as potential future investors.

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 but be no less than \$0.10, 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.

Sources and Uses of Cash

Liquidity & Capital Resources

During the year ended June 30, 2015 the Company's operating activities required \$442,696 in cash.

The company's cash as at June 30, 2015 was \$430,130 and the Company's working capital was \$437,359.

As of the date of this MD&A, the Company has cash of approximately \$155,000.

The Company's accounts payable have payment terms of 30 days and the Company's short term loan has no terms of repayment and carries no interest rate.

Financing Activities

During the year ended June 30, 2015, the Company received \$835,000 in cash from the sale of shares in its initial public offering, as well as a private placement, and through the exercise of warrants by the agent of the initial public offering. The Company also incurred share issuance costs of \$113,499 relating to its initial public offering.

Total net cash derived from financing activities during the year ended June 30, 2015 was \$721,501.

Investing Activities

The Company spent \$7,311 on software development in the last three months of the year ended June 30, 2015.

Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

Related Party Transactions

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 and CEO of the Company, with a company controlled by the CEO and director of the Company. Under the terms of the agreement, ETS will pay the company a total of \$4,000 per month plus GST in advance for the services of President and CEO. ETS and the Company may terminate the agreement with 30 days notice.

On February 23, 2015, the Company entered in to an executive consulting agreement for the services of the President and CEO with the same company and terms as above. The fees for both agreements have since been amended to \$5,000 per month plus GST (previously \$4,000 per month plus GST) for an aggregate of \$10,000 per month plus GST.

During the year ended June 30, 2015, the Company paid or accrued total compensation of \$198,237 to key management personnel and their related companies comprising:

- a) Consulting fees of \$120,166 (2014 - \$47,000) to a company controlled by the CEO of the Company, a company controlled by a director of the Company, and the former CFO of the Company.

- b) Recorded share-based compensation of \$78,071 (2014 - \$Nil) for stock options granted and vested to directors and officers of the Company.

Included in accounts payable and accrued liabilities is \$2,916 (2014 - \$Nil) due to officers, directors, and a spouse of a director of the Company.

On May 28, 2014, the Company settled certain debts through the issuance of 2,700,000 common shares at a price of \$0.02 per share of which 975,000 of these shares were issued to a company controlled by a director of the Company, 975,000 shares were issued to the CFO of the Company, and 400,000 shares were issued to a director of the Company.

On May 30, 2014, 466,620 common shares of the Company were issued to a director of the Company related to the acquisition of ETS (Note 4).

On June 9, 2014, ETS signed a referral services agreement with RA Revenue Automation Inc. (~~RA~~) whereby RA agreed to use ETS as its exclusive referral marketing application and include the concept in all relevant business development pitches to customers. RA received 1,633,380 shares of the Company related to the acquisition of ETS (Note 4). The Company's CEO and director is the Vice President of Professional Services for RA and owns 10% of RA through a company controlled by the CEO and director. Revenue recorded on the statement of comprehensive loss is from RA as well as the Sales receivables in Note 5 of the consolidated audited financial statements.

Financial Instruments and Risk Management

The Company's objective is to have sufficient working capital to maintain financial flexibility and to sustain the future development of ETS. 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 shareholder's equity as well as cash and cash equivalents.

The Company's share capital is not subject to external restrictions as of the date of this MD&A.

There were no changes to the Company's approach to capital management during the year ended June 30, 2015.

The Company's financial instruments consist of cash, amounts receivable, prepaid expenses, accounts payable and a short term loan. The fair values of these financial instruments approximate their carrying values due to the short-term nature of the instruments or their cash value.

The Company may be exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, and liquidity.

- a) 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 June 30, 2015, the Company was not subject to significant market risk.

- b) 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.

c) 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 June 30, 2015, the Company was not subject to significant interest rate risk.

d) 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.

Critical Accounting Estimates

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made by management during their preparation. The Company's accounting policies are described in Note 3 to the audited consolidated financial statements for the year ended June 30, 2015 and the accounting estimates that the Company considers to be critical are described in Note 4. The accounting estimates considered to be significant to the Company include the review of the carrying values of software development assets.

Management reviews the carrying values of its software development assets on a quarterly basis to determine whether any impairment should be recognized.

RISKS AND UNCERTAINTIES

The business of investing in and acquiring business ventures with growth potential is a highly speculative activity and is subject to significant risks. The Company's ability to realize its investments in business ventures is dependent upon a number of factors, including its ability to continue to raise the financing necessary to complete the development of those projects, the ability to realize economically significant profits within its projects and the ability to dispose of projects on favourable terms.

Specifically in the Company's recent acquisition, ETS, the development and marketing of new and innovative software contains the following uncertainties:

Stage of Development

The Company's software is in the early prototype stage and the Company does not have an operating history. The process of developing new technology and new markets involves a high degree of risk and the technology could contain defects that lead to costs, damage to reputation or litigation. The amounts attributed to the Company's holdings in its software in development as reflected in its financial statements represent development expenses and fair value adjustments.

and should not be taken to represent realizable value. There is no assurance that the Company's software development activities will result in commercially profitable operations.

Market Risks

The Company is operating in a large market, but is providing a previously unavailable service. The Company faces uncertainty as to the degree of new and continuing market acceptance of its products. The performance of the Company also depends on the performance on agencies that the Company partners with along with their end customers.

Customer Risks

The Company is dependent on proper pricing of products, reporting of successful results of referral campaigns and timely collection of customer accounts. The Company is also dependent on its ability to ensure that their customers operate within the terms of its service agreements.

Key Personnel Risks

The Company, like all marketing and software companies, is highly dependent on its staff and the ability to retain and attract key personnel. The marketplace for skilled marketing and or software development personnel is highly competitive and there is no assurance that personnel will be available when needed by the Company or if available, there is no assurance that personnel will be available at economic costs.

Future Financings

If the Company's operations are successful, additional funds may be required for further company growth. Outside of sales, the only sources of future funds presently available to the Company is through the sale of equity capital or the offering of debt instruments. There is no assurance that such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to current shareholders.

Profitability of Operations

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as sufficient sales are achieved from one or more of its products, if sales are, in fact, ever achieved. The Company has never earned a profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.