



**CARL DATA SOLUTIONS INC.
(FORMERLY CARL CAPITAL CORP.)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**(AUDITED)
(Expressed in Canadian Dollars)**

CONTENTS

Independent Auditor's Report	2
Consolidated Statements of Financial Position	3
Consolidated Statements of Loss and Comprehensive Loss	4
Consolidated Statements of Cash Flows	5
Consolidated Statement of Changes in Shareholders' Equity	6
Notes to the Consolidated Financial Statements	7-26



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Carl Data Solutions Inc.

We have audited the accompanying consolidated financial statements of Carl Data Solutions Inc., and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, statements of shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carl Data Solutions Inc. and its subsidiaries as at June 30, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that Carl Data Solutions Inc. had an accumulated deficit of \$4,364,325 during the year ended June 30, 2016. These conditions, and other matters described in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about Carl Data Solutions Inc.'s ability to continue as a going concern.

"Wolrige Mahon"

CHARTERED PROFESSIONAL ACCOUNTANTS

October 28, 2016
Vancouver, B.C.

**CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30,**

(Expressed in Canadian dollars)

	2016	2015
ASSETS		
Current Assets		
Cash	\$ 136,010	\$ 430,130
Accounts and other receivables (note 6)	275,061	39,582
Prepaid expenses (note 10)	206,541	5,595
	617,612	475,307
Non-Current Assets		
Software in development (note 7)	287,600	237,311
Software application (notes 5 and 7)	294,059	-
Customer list (notes 5 and 7)	563,816	-
Goodwill	36,421	36,421
Total Assets	\$ 1,799,508	\$ 749,039
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 658,447	\$ 51,907
Loans payable (note 9)	515,104	4,000
	1,173,551	55,907
Convertible note (note 10)	60,238	-
Total Liabilities	1,233,789	55,907
Shareholders' Equity (note 11)		
Share capital	4,674,982	1,122,351
Reserves	249,727	144,817
Equity conversion feature on convertible note (note 10)	7,687	-
Accumulated other comprehensive loss	(2,352)	-
Deficit	(4,364,325)	(574,036)
	565,719	693,132
Total Liabilities and Shareholders' Equity	\$ 1,799,508	\$ 749,039

Nature of Operations and Going Concern

(note 1)

Commitments (note 19)

Subsequent Events (note 22)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Jason Scharfe"
Director

"Chris Johnston"
Director

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

**CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JUNE 30,**

<i>(Expressed in Canadian dollars)</i>	2016	2015
Revenue		
Data services	\$ 671,857	\$ -
Other	136,404	26,250
	808,261	26,250
Expenses		
Amortization (note 7)	185,024	-
Bad debts	109,480	-
Computer	52,959	-
Consulting	579,330	168,557
Filing and transfer agent	23,270	25,983
Financing (note 10)	109,456	-
Foreign exchange loss	1,278	-
Impairment of goodwill (note 5)	2,005,568	-
Interest (note 9)	182,689	-
Investor relations	198,577	31,698
Marketing	45,785	8,825
Occupancy	64,717	10,000
Office	94,648	12,875
Professional	225,436	202,088
Share-based payments (note 13)	133,574	116,000
Salaries and wages	655,338	-
Travel	71,652	14,950
	(4,738,781)	(590,976)
Loss before income tax	(3,930,520)	(564,726)
Deferred income tax recovery (note 20)	140,231	52,000
Loss for the year	(3,790,289)	(512,726)
Other comprehensive loss		
Foreign exchange loss on translation of subsidiary	(2,352)	-
Comprehensive loss for the year	\$ (3,792,641)	\$ (512,726)
Weighted Average Number of Common Shares Outstanding		
Basic and Diluted	26,481,969	15,280,548
Loss Per Share		
Basic and Diluted	(\$0.14)	(\$0.03)

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

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

(Expressed in Canadian dollars)

	2016	2015
Cash Flows used in Operating Activities		
Net loss for the year	\$ (3,790,289)	\$ (512,726)
Non-cash items		
Amortization	185,024	-
Accrued interest expense	178,304	-
Deferred income tax recovery	-	(52,000)
Impairment of goodwill	2,005,568	-
Deferred income tax expense	(140,231)	-
Share-based payments	133,574	116,000
Changes in non-cash working capital items:		
Accounts and other receivables	(19,736)	(39,072)
Prepaid expenses	1,157	(595)
Accounts and other payables	(32,035)	45,697
	(1,478,664)	(442,696)
Cash Flows provided by (used in) Investing Activities		
Software development	(50,289)	(7,311)
Acquisition of FlowWorks, Inc. (note 5)	124,055	-
Dissenter liability	(198,014)	-
	(124,248)	(7,311)
Cash Flows provided by (used in) Financing Activities		
Proceeds from issuance of common shares	177,200	825,000
Proceeds from exercise of stock options	22,000	-
Proceeds from exercise of warrants	54,076	10,000
Proceeds from convertible note, net of transaction costs	388,300	-
Share issuance costs	(2,016)	(47,332)
Advances from short-term loans, net of repayments	765,600	-
Repayment of short-term loans	(100,000)	-
	1,305,160	787,668
Effect of foreign exchange on cash	3,632	-
Change in cash during the year	(294,120)	337,661
Cash – beginning of year	430,130	92,469
Cash – end of year	\$ 136,010	\$ 430,130

Supplemental Information (see note 16)

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

**CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30**

(Expressed in Canadian dollars, except share amounts)

	Share Capital			Equity conversion feature on convertible note	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount	Reserve s				
Balance – June 30, 2014	12,600,000	\$ 363,500	\$ -	\$ -	\$ -	\$ (61,310)	\$ 302,190
Net comprehensive loss for the year	-	-	-	-	-	(512,726)	(512,726)
Shares issued for:							
Cash (note 0)	7,000,000	825,000	-	-	-	-	825,000
Exercise of warrants (note 12)	100,000	13,847	(3,847)	-	-	-	10,000
Share issuance costs – cash	-	(47,332)	-	-	-	-	(47,332)
Share issuance costs – warrants	-	(32,664)	32,664	-	-	-	-
Share-based payments	-	-	116,000	-	-	-	116,000
Balance – June 30, 2015	19,700,000	1,122,351	144,817	-	-	(574,036)	693,132
Net comprehensive loss for the year	-	-	-	-	(2,352)	(3,790,289)	(3,792,641)
Shares issued for:							
Acquisition of FlowWorks, Inc. (note 5)	7,629,397	2,441,407	-	-	-	-	2,441,407
Cash (notes 11(b)(v) and 11(b)(vii))	664,000	177,200	-	-	-	-	177,200
Debt (note 11(b)(i))	1,109,334	332,800	-	-	-	-	332,800
Financing fees (note 0(b)(iii) and 11(b)(vi))	625,000	262,500	-	-	-	-	262,500
Convertible note (note 11(b)(i))	400,000	236,000	-	-	-	-	236,000
Exercise of options	200,000	34,643	(12,643)	-	-	-	22,000
Exercise of warrants (note 11(b)(ii))	210,080	71,133	(17,057)	-	-	-	54,076
Share issuance costs – cash (note 11(b)(v))	-	(2,016)	-	-	-	-	(2,016)
Share issuance costs – warrants (note 11(b)(v))	-	(1,036)	1,036	-	-	-	-
Share-based payments (note 13)	-	-	133,574	-	-	-	133,574
Conversion feature on convertible note (note 10)	-	-	-	7,687	-	-	7,687
Balance – June 30, 2016	30,537,811	\$4,674,982	\$249,727	\$ 7,687	\$ (2,352)	\$(4,364,325)	\$ 565,719

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

(figures in tables are expressed in Canadian dollars, except per share amounts)

1. Description of Business and Nature of Operations

CARL Data Solutions Inc. (formerly Carl Capital Corp.) was incorporated under the Business Corporations Act (British Columbia) on January 17, 2014. CARL together with its wholly owned subsidiaries, Extend to Social Media Inc. (“ETS”) and FlowWorks Inc. (“FlowWorks”), “CARL” or the “Company”. CARL is a developer of Big-Data-as-a-Service (“BDaaS”)-based solutions, providing the next generation data collection, storage and analytic solutions for data-centric companies.

CARL is a public company that is listed on the Canadian Securities Exchange (“CSE”) (under the symbol: CRL). The head office and principal address of the Company is located at Suite 488 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

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 acquired all of the outstanding share capital of ETS on May 30, 2014.

FlowWorks, incorporated in Washington State, USA on May 5, 2010, is a company that specializes in providing clients with a suite of web-based water management software applications to analyze data through a variety of collection, analysis, and reporting tools. CARL acquired all of the outstanding share capital of FlowWorks on October 13, 2015 (note 5).

These consolidated 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 consolidated financial statements. These 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. At June 30, 2016, the Company had not achieved profitable operations, has accumulated a deficit of \$4,364,325 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 develop its business units, develop marketable software, 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. These matters indicate material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements of the Company are presented in Canadian dollars.

(figures in tables are expressed in Canadian dollars, except per share amounts)

2. Basis of Preparation and Statement of Compliance (cont'd...)

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

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 Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience. Significant judgements are used in the Company's assessment of its ability to continue as a going concern which is described in Note 1.

Critical accounting judgments

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 recognized in the consolidated financial statements within the next financial year are discussed below.

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations. The functional currency of the parent company and its subsidiary, ETS, is the Canadian dollar. The functional currency of FlowWorks is the US dollar.

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 capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off profit or loss in the year in which the new information becomes available.

The useful life of some of the Company's non-current assets is estimated based on the period over which the asset is expected to have a useful life. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any non-current asset would increase the recorded operating expenses and decrease long-term assets.

The Company also exercises judgment in identifying accounts receivable, the collection of which may be uncertain.

Critical accounting estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

(figures in tables are expressed in Canadian dollars, except per share amounts)

2. Basis of Preparation and Statement of Compliance (cont'd...)

Critical accounting estimates (cont'd...)

The Company has made estimates with respect to the acquisition date fair values of the identifiable assets and liabilities of FlowWorks, Inc. The valuation of intangible assets requires management to use valuation techniques to assess the fair values of assets and liabilities acquired at acquisition date. The Company uses its judgment to select methods and makes assumptions that reflect market conditions as at the acquisition date (note 5).

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for income taxes.

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-based award, volatility and dividend yield and making assumptions about them.

3. Significant Accounting Policies

Basis of Consolidation

These consolidated financial statements include the financial statements of CARL and its controlled and wholly-owned subsidiaries ETS and FlowWorks. FlowWorks has historically maintained a fiscal year-end of December 31, and retained that year-end post acquisition by the Company. The Company may change the year-end to match the Company's year-end in the future. 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 acquired, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in profit or loss as incurred, except if related to the issue of debt or equity securities. 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. Any goodwill that arises is tested at least annually for impairment.

Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value. The intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

FlowWorks Customer list	5 years
FlowWorks Software application	3 years

The amortization method, estimated useful lives and residual values are reviewed annually, or more frequently if required, and are adjusted as appropriate.

(figures in tables are expressed in Canadian dollars, except per share amounts)

3. Significant Accounting Policies (cont'd...)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue recognition

The Company earns revenue in its subsidiary FlowWorks, through performance of services and subscription software.

Services revenue is recognized when the amount of revenue can be reliably measured, the stage of completion of the work involved in supplying the services can be reliably measured, it is probable that economic benefits associated with the transaction will flow to the Company, and the costs incurred and to be incurred can be reliably measured.

Subscription software 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 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.

Translation of Foreign Currencies

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars.

The functional currency of all entities in the consolidated group, other than FlowWorks, is the Canadian dollar, while the functional currency of FlowWorks is the United States dollar. The financial statements of FlowWorks are translated into the Canadian dollar presentation currency using the current rate method as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position.
- Income and expenses – at the average rate of the year (as this is considered a reasonable approximation to actual rates).
- All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

(figures in tables are expressed in Canadian dollars, except per share amounts)

3. Significant Accounting Policies (cont'd...)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average exchange rate, which approximates those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognized at the date of acquisition.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortization but is tested at least annually for impairment.

Financial Instruments

The Company recognizes a financial instrument when, and only when, the Company becomes a party to the contractual provisions of the instrument. All transactions related to financial instruments are recorded on a trade date basis.

Financial instruments are classified based on the purpose for which the asset was acquired or incurred.

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 effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. 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.

(figures in tables are expressed in Canadian dollars, except per share amounts)

3. Significant Accounting Policies (cont'd...)

Financial Instruments (cont'd...)

Loans and Receivables

These assets are initially recognized 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 recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's cash and trade receivables 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 accounts payable and accrued liabilities, and loans payable and convertible note. These liabilities are initially recognized 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 year 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.

Compound financial liabilities are bifurcated into their debt and equity components with the debt component being initially measured at the fair value of the debt determined by discounting the cash flows associated with the compound instrument at a market rate of interest for the instrument exclusive of the associated equity feature. The equity component is allocated the residual value being the difference between the face value of the compound instrument and the fair value of the debt, and is recorded in equity reserve until such time as the convertible debt has been repaid or converted to common shares of the Company at which point it is reclassified from equity reserve to contributed surplus or share capital as applicable. Transaction costs incurred for the issuance of compound financial liabilities are allocated to the debt and equity component, as applicable, based on their initial relative fair values.

Impairment of Financial Assets

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. Accounts receivable bad debts are written off directly against the balance owing.

Valuation of equity units issued in private placements

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

(figures in tables are expressed in Canadian dollars, except per share amounts)

3. Significant Accounting Policies (cont'd...)

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

4. Accounting Standards and Amendments Issued but Not Yet Adopted

IFRS 9 Financial Instruments (revised)

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 years beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting these amendments on its financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is effective for annual years beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting these amendments on its financial statements.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

IAS 16 and IAS 38 have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 are effective for annual years beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. Acquisition of FlowWorks

On October 13, 2015, the Company completed the acquisition of FlowWorks pursuant to the terms of a share exchange agreement between CARL, FlowWorks and the majority shareholders of FlowWorks. CARL acquired 100% of the outstanding common shares of FlowWorks in exchange for 7,629,397 common shares of the Company issued to two shareholders of FlowWorks.

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

5. Acquisition of FlowWorks (cont'd...)

One shareholder of FlowWorks, holding approximately 11% of FlowWorks, 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 the dissenter's rights (note 8).

This acquisition is consistent with the Company's corporate growth strategy to build and acquire applications that assist in the collection, storage and analysis of large volumes of information for data centric companies. FlowWorks has a committed, pre-existing customer base. The Company plans to expand upon FlowWorks' proven marketing strategy to attract new customers by implementing innovative marketing automation technologies, which include the use of the Company's Extend-to-Social Referral Marketing Application.

Purchase price consideration	
Value of 7,629,397 common shares issued at \$0.32	\$ 2,441,407
Assets acquired and liabilities assumed	
Cash	\$ 124,055
Accounts receivable	215,743
Prepaid expenses	23,978
Software application	387,634
Customer list	659,154
Accounts payable	(515,132)
Dissenter liability	(310,593)
Deferred income tax liabilities	(149,000)
Goodwill on acquisition	2,005,568
	<hr/>
	\$ 2,441,407

Accounts receivable acquired with FlowWorks are trade receivables under normal course of business and are recorded at fair value at the date of acquisition. The fair value of the accounts receivable at acquisition equals its carrying value at that date.

The software application is web-based application which enables clients to analyze environmental data for water management purposes. Income tax consequences of the transaction included a deferred income tax liability of \$149,000, which together with the fair values of other assets and liabilities acquired resulted in the recognition of \$2,005,568 in goodwill that is not deductible for tax purposes. The composition of goodwill includes assets that are not separately identifiable including the value of employees working with FlowWorks, and the potential to apply the principles of the web-based application to new industries and industry segments. The software application is amortized over a 3-year term. In the year ended June 30, 2016, the Company recognized amortization of \$91,641. During the Company's annual impairment review, the Company decreased future expectations with respect to revenue which resulted in a negative net present value and decided to write-off the balance of goodwill being \$2,005,568 to profit or loss.

The customer list acquired with FlowWorks is estimated relative to contracted customer subscriptions and recurring customer revenues projected over a period of five years at a 30% discount rate. The customer list is amortized over a 5-year term. In the year ended June 30, 2016, the Company recognized amortization of \$93,383.

FlowWorks' total revenues, total expenses and net loss of \$715,011, \$1,023,111 and \$308,100, respectively, since the acquisition date, have been included in profit or loss for the year ended June 30, 2016. Had the acquisition occurred on July 1, 2015 revenues, total expenses and net loss of \$980,155, \$1,297,183 and \$317,028, respectively, would have been included in profit or loss for the year ended June 30, 2016.

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

6. Accounts and Other Receivables

	June 30, 2016	June 30, 2015
Accounts receivable	\$ 267,428	\$ 26,250
Goods and services tax ("GST") receivable	7,633	13,332
	\$ 275,061	\$ 39,582

7. Intangible assets

Software in Development

A total of \$83,428 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. The following table shows the composition of the value of the software in development:

	ETS Software in Development	Fair Value on adjustment of acquisition of ETS	Total
Balance – June 30, 2014	\$ 25,828	\$ 204,172	\$ 230,000
Expenditure on software development	7,311	-	7,311
Balance – June 30, 2015	33,139	204,172	237,311
Expenditure on software development	50,289	-	50,289
Balance – June 30, 2016	\$ 83,428	\$ 204,172	\$ 287,600

Software Application

The software application relates to the web-based application acquired with FlowWorks. The application is in use and is being amortized straight-line over a period of three years, with approximately 2.25 years remaining unamortized.

	Fair Value	Amortization	Cumulative Translation Adjustment	Total
Balance – June 30, 2014 and 2015	\$ -	\$ -	\$ -	\$ -
Acquired software application (note 5)	387,634	-	-	387,634
Amortization	-	(91,641)	-	(91,641)
Foreign currency translation	-	-	(1,934)	(1,934)
Balance – June 30, 2016	\$ 387,634	\$ (91,641)	\$ (1,934)	\$ 294,059

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

7. Intangible assets (cont'd)

Customer List

The customer list relates to the customers acquired with FlowWorks. The asset is a finite life asset and is being amortized straight-line over a period of five years, with approximately 4.25 years remaining unamortized.

	Fair Value	Amortization	Cumulative Translation Adjustment	Total
Balance – June 30, 2014 and 2015	\$ -	\$ -	\$ -	\$ -
Acquired customer list (note 5)	659,154	-	-	659,154
Amortization	-	(93,383)	-	(93,383)
Foreign currency translation	-	-	(1,955)	(1,955)
Balance – June 30, 2016	\$ 659,154	\$ (93,383)	\$ (1,955)	\$ 563,816

8. Accounts Payable and Accrued Liabilities

	June 30, 2016	June 30, 2015
Accounts payable	\$ 542,414	\$ 51,907
Accrued liabilities	116,033	-
	\$ 658,447	\$ 51,907

Included in accounts payable and accrued liabilities of the Company are amounts due to related parties (note 18). Included in accrued liabilities is \$116,033 payable to the dissenting shareholder arising from the acquisition of FlowWorks (note 5).

9. Loans Payable

	June 30, 2016	June 30, 2015
Balance – beginning of year	\$ 4,000	\$ 4,000
Advances of short-term loans	765,600	-
Interest and fees accrued	178,304	-
Settlements	(432,800)	-
Balance – end of year	\$ 515,104	\$ 4,000

During the year ended June 30, 2016, the Company entered into the following short term loan agreements:

- (a) A director of the Company loaned the Company \$60,000, unsecured, with a maturity date of May 31, 2016, an interest rate of 15% and a number of shares equal to 15% of the face value of the loan converted at \$0.30 per share. The loan was settled, including accrued interest, for private placement units (note 11).

(figures in tables are expressed in Canadian dollars, except per share amounts)

9. Loans Payable (cont'd...)

- (b) An unrelated party loaned the Company \$60,000 and a related party loaned the Company \$23,000 for an aggregate of \$83,000, unsecured, with a maturity date of May 31, 2016, an interest rate of 15% and a number of shares equal to 15% of the face value of the loan converted at \$0.30 per share. Of the loan, \$23,000 and accrued interest were settled with private placement units in the year ended June 30, 2016 (note 11). The balance of the loan remains outstanding as at June 30, 2016.
- (c) An unrelated party loaned the Company \$100,000 and a related party loaned the Company \$300,000 for an aggregate of \$400,000, unsecured, with a maturity date of February 22, 2016 for \$100,000 and May 31, 2016 for \$300,000, and a flat fee, on repayment of the loan, of 30% of the principal of the loan, payable in cash or shares converted at \$0.30 per share at the option of the Company. The Company settled principal and accrued interest of \$248,191 with private placement units in the year ended June 30, 2016 (note 11). The balance of the loan remains outstanding as at June 30, 2016.

The Company has received a number of additional short term loans in lesser amounts totaling \$222,600 which are unsecured and non-interest bearing. The Company has offered a 15% financing fee on the principal value of certain short term loans as compensation to the lenders. Of these loans, \$20,000 was advanced from a director and officer of the Company and \$50,000 was advanced from an officer of the Company. The financing fees are included in interest expense.

10. Convertible Note

During the year ended June 30, 2016, the Company completed a senior secured collateralized convertible note ("Note") financing of up to \$2,000,000 to be received in tranches. All tranches of the Note bear interest of 10% (12% if in default) per annum, calculated and payable monthly, in advance.

The Company issued an initial tranche of \$500,000 incurring total transaction costs of \$432,075. The principal, at the option of the holder, will be convertible into common shares of the Company at a conversion price of \$0.45 per common share, subject to adjustment as per the agreement.

If at any time following four months after the issue date of any Note, the closing price of the Company is \$0.75 per share for 30 consecutive trading days with a daily weighted-average trading volume of more than 400,000 shares, the Company may force the conversion of one-half of the aggregate principal.

From and after the one-year anniversary of any Note, the Company, at its option, may prepay, without notice or penalty, the principal amount of all the outstanding Notes in full or in part together with any accrued and unpaid interest.

Each tranche of the Note contains both an equity component, being the holder's conversion right, and a liability component which are presented separately on the consolidated statement of financial position. The Company allocated the transaction costs to the debt and equity components based on the relative fair values of the Note and the equity conversion option. Interest and transaction costs are recognized by accreting the liability component to its face value over the term of the Note.

The Company paid a non-refundable commitment fee, included in total transaction costs, of \$50,000 and 375,000 shares. The Company shall issue 800,000 bonus shares on the closing date and on the date of conversion. 400,000 of these bonus shares were issued on the closing date and included in total transaction costs.

In the event the Company does not issue Notes in accordance with the terms of the agreement, the Company is subject to a break fee of \$100,000.

At any time after issuance, the holder has the right to convert the principal amount of the Note at the above conversion price.

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

10. Convertible Note (cont'd...)

	June 30, 2016
Balance, beginning of year	-
Issuance of convertible note	60,238
Accretion of convertible note	-
Balance – June 30, 2016	60,238
Convertible note, equity component	7,687
Face value of Note at maturity	\$ 500,000

The Note guaranteed by the Company's two subsidiaries, ETS and FlowWorks as well as partially guaranteed by the CEO (\$130,000) and the CFO (\$60,000).

11. Share Capital

(a) Authorized Share Capital

As at June 30, 2016, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

(b) Issued Share Capital

During the year ended June 30, 2015 and 2016, the Company issued common shares as follows:

- (i) On June 29, 2016, the Company issued 400,000 bonus common shares at a price of \$0.59 to the purchasers of the \$500,000 convertible note financing (note 10).
- (ii) On May 31 and June 10, 2016, the Company issued a total of 210,080 common shares through the exercise of share purchase warrants for gross proceeds of \$54,076.
- (iii) On April 22, 2016, the Company issued 375,000 common shares at a price of \$0.50 per share as partial settlement of a commitment fee for a convertible note financing.
- (iv) On January 21, 2016, the Company issued 1,109,334 units, at a price of \$0.30 per unit, to settle short term loans and accrued interest of \$332,800. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant is exercisable at \$0.45 for a period of 24 months from the date of closing. The warrants are subject to an acceleration provision such that the Company has the right to accelerate the expiry of the warrants to a 30-day period if the Company's common shares trade at a price greater than \$0.75 for a period of ten consecutive trading days.

(figures in tables are expressed in Canadian dollars, except per share amounts)

11. Share Capital (cont'd...)

(b) Issued Share Capital (cont'd...)

- (v) On December 29, 2015, the Company issued 224,000 units pursuant to the first tranche of a non-brokered private placement at a price of \$0.30 per unit for gross proceeds of \$67,200. Each unit consisted of one common share and one-half share purchase warrant. Each warrant is exercisable at a price of \$0.45 for a period of two years. The warrants are subject to an acceleration provision such that the Company has the right to accelerate the expiry of the warrants to a 30-day period if the Company's common shares trade at a price greater than \$0.75 for a period of ten consecutive trading days.

In connection with the tranche, the Company issued finders' warrants to purchase 6,720 common shares. The finder warrants are exercisable at a price of \$0.30 per common share until December 31, 2016. The Company recognized a non-cash issue cost of \$1,036 with a corresponding increase in reserves and paid cash finder's fees of \$2,016. This expense was calculated using the Black-Scholes option valuation model with the following assumptions: Risk-free rate, 0.48%; Dividend yield, 0%; Expected volatility, 70%; and Expected life, 1 year.

- (vi) On December 23, 2015, the Company issued 250,000 common shares at a price of \$0.30 per share as a financing fee for the commencement of due diligence to undertake a private placement financing.
- (vii) On July 7, 2015, the Company completed a non-brokered private placement and issued 440,000 common shares at a price of \$0.25 per common share for gross proceeds of \$110,000. No finder's fees were associated with the placement.
- (viii) On June 5, 2015, the Company issued 1,250,000 units at a price of \$0.20 per unit for gross proceeds of \$250,000. Each unit was comprised of one common share and one-half of one transferable share purchase warrant. Each warrant entitles the holder to acquire one share of the Company at a price of \$0.35 until June 5, 2017. In connection with the offering, the Company issued finder's warrants to purchase an aggregate of 85,680 shares at a price of \$0.20 per share until June 5, 2016. The Company recognized a non-cash issue cost of \$14,964 with a corresponding increase in reserves and paid cash finder's fees of \$17,136. This expense was calculated using the Black-Scholes option valuation model with the following assumptions: Risk-free rate, 0.65%; Dividend yield, 0%; Expected volatility, 70%; and Expected option life, 1 year.
- (ix) On January 19, 2015, the Company 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 included 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, of which \$66,167 was recognized as an expense in the statement of loss and comprehensive loss as the pro rata share of legal fees that related to shares issued prior to the initial public offering. 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.

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

12. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance - June 30, 2014	-	-
Issuance of warrants	\$0.24	1,170,680
Exercised	\$0.10	(100,000)
Balance - June 30, 2015	\$0.25	1,070,680
Issuance of warrants	\$0.45	673,387
Exercised	\$0.26	(210,080)
Balance – June 30, 2016	\$0.34	1,533,987

The expiry of agents' and share purchase warrants are as follows:

	Exercise price	Number of warrants	Expiry date
Agents' warrants	\$0.30	6,720	December 31, 2016
Agents' warrants	\$0.10	305,600	January 19, 2017
Share purchase warrants	\$0.35	625,000	June 5, 2017
Share purchase warrants	\$0.45	42,000	December 29, 2017
Share purchase warrants	\$0.45	554,667	January 21, 2018
		1,533,987	

13. Share-Based Payments

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, have a minimum price of \$0.10 and are granted and expire no later than five years from the date of grant.

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

13. Share-Based Payments (cont'd...)

The changes in incentive share options outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – June 30, 2014	\$ -	-
Granted	\$0.11	1,835,000
Balance – June 30, 2015	\$0.11	1,835,000
Granted	\$0.40	1,128,600
Exercised, with a weighted average share price of \$0.37	\$0.11	(200,000)
Balance – June 30, 2016	\$0.23	2,763,600

Incentive share options outstanding and exercisable June 30, 2016 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.11	1,635,000	3.56 years	\$0.11	1,635,000	\$0.11
\$0.40	1,128,600	4.56 years	\$0.40	337,150	\$0.40
	2,763,600		\$0.23	1,972,150	\$0.16

The weighted average fair value of options granted during the year was \$0.23 per option (2015 - \$0.11). Total share-based payments recognized in profit or loss for incentive options granted and vested for the year ended June 30, 2016 was \$133,574 (2015 - \$116,000) . All outstanding options have a vesting period of up to three years and to be paid for in cash.

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2016	2015
Weighted average share price	\$ 0.40	\$ 0.40
Risk-free interest rate	0.63%	0.84%
Expected life of option	5 years	5 years
Expected annualized volatility based on peer comparison	70%	70%
Expected dividend rate	Nil	Nil

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

14. Shares held in Escrow

As at June 30, 2016, a total of 9,747,525 (June 30, 2015 – 11,340,000) common shares remain in escrow with a portion being released every six months until January 21, 2018.

15. Management of Capital

The capital managed by the Company includes the components of shareholders' equity as described in the consolidated statements of shareholders' equity. The Company is not subject to externally imposed capital requirements.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of funds for growth and development of its projects, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at June 30, 2016 remains fundamentally unchanged from the year ended June 30, 2015.

16. Supplemental Cash Flow Information

During the year ended June 30, 2016:

- a) the Company's non-cash investing and financing activities included issuing 6,720 finders' warrants exercisable at a price of \$0.30 per common share until December 31, 2016 at a value of \$1,036;
- b) the Company issued 250,000 common shares at a price of \$0.30, for a total value of \$75,000, as a financing fee for commencement of due diligence in connection with a private placement convertible note financing;
- c) the Company issued 400,000 common shares at a price of \$0.59, for a total value of \$236,000, as transaction costs as part of the \$500,000 convertible note financing;
- d) the Company issued 1,109,334 private placement units at a price of \$0.30, for a total value of \$332,800, for short term loans and accrued interest; and
- e) the Company issued 7,629,397 common shares at a price of \$0.32 for a total value of \$2,441,407 for the acquisition of FlowWorks (note 5).

During the year ended June 30, 2015, the Company's non-cash investing and financing activities included issuing 460,000 finders' warrants exercisable at a price \$0.10 per common share until January 19, 2017, at a value of \$17,700.

17. Segmented Information

The Company operates in one reportable segment, being data services, which information is regularly reviewed by the Company's President and CEO, being the chief decision making officer. Revenue is earned in two main regions, being Canada and United States. The following is a breakdown of revenue by geographic areas based on each customers' location:

	Year ended	
	June 30, 2016	June 30, 2015
Revenue		
Canada	\$ 482,580	\$ 26,250
United States	325,681	-
	\$ 808,261	\$ 26,250

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

18. Related Party Transactions

The Company has entered into an executive consulting agreement with a company controlled by the President, CEO and director of the Company. Under the terms of the agreement, the Company will pay the company a total of \$10,833 per month.

The Company has entered into an executive consulting agreement with a company controlled by the CFO of the Company. Under the terms of the agreement, the Company will pay the company a total of \$5,000 per month.

During the year ended June 30, 2016, the Company paid or accrued, to key management personnel and their related companies, total compensation of \$242,740 (2015 - \$198,237) comprised of \$218,500 (2015 - \$120,166) in consulting fees and \$24,240 (2015 - \$78,071) in share-based payments. Key management personnel includes current and former CEOs and CFOs of the Company.

Included in accounts payable and accrued liabilities is \$87,986 (June 30, 2015 - \$2,916) due to officers, directors, and a spouse of a director of the Company. Additionally, the Company has entered into loan agreements with a related party as detailed in note 9.

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. A company controlled by the Company's CEO owns 10% of RA. Revenue of \$93,250 (2015 - \$26,250) and \$44,740 (2015 - \$Nil) in bad debts was recorded on the statement of comprehensive loss is from RA.

Kerr Wood Leidal Associates Ltd. ("KWL")

KWL, a consulting engineering company, founded and created FlowWorks and is a significant shareholder of the Company. During the year ended June 30, 2016, the Company earned sales revenue from KWL of \$78,075 and incurred expenses from KWL of \$84,221. Included in accounts receivable as at June 30, 2016 is a balance owing from KWL of \$100,525. The Company owed accounts payable of \$159,462 to KWL as at June 30, 2016.

During the year ended June 30, 2016, the Company paid \$433,552 to KWL, on behalf of FlowWorks, to pay down balances owing.

19. Commitments

In connection with the convertible note (note 10), a break fee of \$100,000 will be payable to the Investor if, for any reason, the Company decides not to proceed with the financing.

The Company has entered into an operating lease contract for office space. The future minimum payments under these leases as at June 30, 2016 are as follows:

2017	\$ 26,600
	\$ 26,600

CARL DATA SOLUTIONS INC. (FORMERLY CARL CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(figures in tables are expressed in Canadian dollars, except per share amounts)

20. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended June 30, 2016 and 2015.

	2016	2015
Loss before income tax for the period	\$ (3,930,520)	\$ (564,726)
Expected income tax (recovery)	\$ 1,022,000	\$ (147,000)
Change in statutory, foreign tax rates and other	(433,000)	-
Permanent difference	738,000	-
Share issue and financing costs	(74,000)	(21,000)
Recognition of previously unrecognized deferred tax assets	-	52,000
Deferred tax assets not recognized	931,000	116,000
Income tax expenses (recovery)	\$ 140,000	\$ -

The significant components of the Company's deferred tax assets (liabilities) are as follows:

	2016	2015
Deferred tax assets:		
Debt with accretion	114,000	-
Share issuance and financing costs	113,000	45,000
Non-capital losses available for future periods	978,000	141,000
	1,205,000	186,000
Unrecognized deferred tax assets	(1,065,000)	(134,000)
	140,000	52,000
Deferred tax (liabilities):		
Recognized on acquisition of a subsidiary	\$ (140,000)	\$ (52,000)
Net deferred tax assets (liabilities)	\$ -	\$ -

Management has not recognized deferred tax assets in excess of the deferred tax liabilities as there is insufficient certainty as to the timing of when these excess deferred tax assets will be realized in the foreseeable future.

The significant components of the Company's unrecognized temporary differences are as follows:

	2016	2015	Expiry date range
Temporary Differences:			
Debt with accretion	440,000	-	No expiry
Non-capital losses available for future periods	3,273,000		
Canada	1,866,000	540,000	2033-2036
USA	1,407,000	-	2030-2036
Share issue costs	435,000	172,000	2020-2021

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(figures in tables are expressed in Canadian dollars, except per share amounts)

21. 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 June 30, 2016 and 2015 the Company was not subject to significant market risk, except as noted below.

Foreign exchange risk

As at June 30, 2016 the Company had cash balances of \$28,851 (Canadian dollar equivalent) (2015 - \$nil), accounts receivable of \$201,956 (Canadian dollar equivalent) (2015 - \$nil), and accounts payable and accrued liabilities of \$48,970 (Canadian dollar equivalent) (2015 - \$nil) held in US dollars. The Company's subsidiary, FlowWorks, operates in the United States which, from the perspective of the Company, creates currency risk associated with those operations. FlowWorks has revenue of \$715,011 (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$68,000 (Canadian dollar equivalent) change on the statement of loss and comprehensive loss.

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, 2016 and 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 the carrying value of cash and accounts receivables. The Company holds cash at a major Canadian chartered bank in a chequing account, a Washington State, USA bank, and a regional brokerage firm.

Of the \$275,061 in accounts receivable, \$102,896 has been outstanding for greater than 90 days; however, was collected subsequent to year-end.

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.

(figures in tables are expressed in Canadian dollars, except per share amounts)

22. Subsequent Events

The following subsequent events occurred from the date of the year ended June 30, 2016 to the date the consolidated financial statements were authorized for issuance by the Board of Directors on October 28, 2016:

- (a) Issued 949,664 common shares, including 804,671 to related parties, to settle debt of \$423,306, including \$384,209 to related parties;
- (b) Issued 615,247 stock options to an officer and employees of the Company exercisable at \$0.45 exercisable until August 24, 2021. Of the stock options granted, 147,247 was issued to a company controlled by the CFO of the company and vest 50% immediately, 25% vesting on September 30, 2016 and 25% vesting December 31, 2016. The remainder of the options vest 25% immediately, and 25% on each of the three grant anniversary dates;
- (c) Entered into a non-binding letter of intent to acquire 51% of StratoCom Solutions Corp. whereby the Company will issue 3,500,000 common shares and a further 2,400,000 common share warrants, each tranche of which is convertible into, respectively, 1,000,000, 700,000 and 700,000 common shares of the Company should certain revenue objectives be met by the end of December 31, 2016, 2017 and 2018, respectively;
- (d) Initiated monthly issuances of the Company's convertible notes (note 10) receiving \$310,000 in proceeds;
- (e) Issued 750,000 common shares at a fair value of \$0.40 per share for \$300,000 in services and the investor providing a personal guarantee to the holders of the convertible note (note 10) on behalf of the Company;
- (f) Completed a non-brokered private placement whereby the Company issued 2,500,000 units at a price of \$0.36 per unit for gross proceeds of \$900,000. Each unit comprised of one common share and one-half of one transferable share purchase warrant. Each warrant entitles the holder thereof to acquire one additional share at a price of \$0.60 for two years. In connection with the offering, the Company issued 200,000 finder units under the same terms as above;
- (g) Issued 406,600 common shares due to the exercise of warrants;
- (h) Issued 750,000 common shares for investor relations work;
- (i) Issued 25,000 bonus common shares to an officer of the Company;
- (j) Issued 435,111 common shares to settle debts of \$147,938; and
- (k) Cancelled 220,000 stock options.