



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

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017**

General

This Management's Discussion and Analysis ("**MD&A**") of CARL Data Solutions Inc. (formerly Carl Capital Corp.) ("**CARL**," or the "**Company**") is dated May 29, 2017 and provides a review of the Company's financial results, from the viewpoint of the management, for the three and nine months ended March 31, 2017 ("F2017-Q3") compared to the three and nine months ended March 31, 2016 ("F2016-Q3").

The following information should be read in conjunction with the Company's March 31, 2017 unaudited condensed interim consolidated financial statements with accompanying notes ("F2017-Q3 Interim F/S") which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and the Company's audited consolidated financial statements with accompanying notes and related MD&A for the fiscal year ended June 30, 2016 ("F2016"), which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The F2017-Q3 Interim F/S follows the same accounting policies and methods of computation as compared with the most recent fiscal year-end financial statements.

All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Company are available on the SEDAR website at www.sedar.com.

Cautionary Statement 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.

Description of Business

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 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.

CARL is improving the scalability and functionality of the acquired companies and building a universal platform for other data-centric applications to dramatically improve overall efficiency and end product offering for its customers. CARL is creating a virtually unlimited data storage environment from which informative visual representations of data can be created. The goal of the Company is to deliver a comprehensive data management solution for datasets of any size, type and complexity. CARL's Enterprise Application Platform has been designed to have the unique capacity to collect and store enormous data sets, and organize and display this information in an intuitive cloud based user interface. CARL offers storage for both structured and unstructured data sets from almost any data source (e.g. CRM, Accounting, Marketing, POS, Log Files, Web Services etc.).

Going Concern

This MD&A and the unaudited condensed interim 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 achieved profitable operations. During the nine months ended March 31, 2017, the Company incurred an operating loss of \$3,353,547, and as at March 31, 2017, the Company had a deficit of \$7,717,872. The Company had working capital deficit of \$315,332 as at March 31, 2017 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 its ability to find, acquire and develop various businesses with growth potential, and its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Therefore, this indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

As a result of the above, realization values may be substantially different from the carrying values shown and the condensed interim 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.

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Selected Financial Information

The following sets out selected consolidated financial information of the Company for this period indicated, which has been derived from the Company's condensed interim consolidated financial statements. Users of this information should read the following in conjunction with those statements and the previously filed annual statements.

(Unaudited) <i>(Expressed in Canadian dollars)</i>	Three months ended		Nine months ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Revenue	\$ 239,397	\$ 227,706	\$ 811,029	\$ 512,908
Expenses	1,100,086	978,775	4,164,576	2,085,356
Operating loss	(830,689)	(751,069)	(3,353,547)	(1,572,448)
Loss for the period	(830,689)	(751,069)	(3,353,547)	(1,642,122)
Loss per share – Basic and Diluted	(\$0.02)	(\$0.04)	(\$0.10)	(\$0.11)

Overall Performance

Acquisition of FlowWorks Inc.

On October 13, 2015, CARL completed its 100% acquisition of FlowWorks Inc. ("FlowWorks"), 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 connection with the dissenter's rights.

FlowWorks is the owner of a Software-as-a-Service web-based online application that provides its clients with advanced tools to analyze environmental data. The application is a powerful platform of data collection, monitoring, analysis and reporting tools. The application is currently focused on water management. The business model of FlowWorks is consistent with the business model and strategy of CARL. FlowWorks demonstrates traits which align with the CARL's values and direction. Further, the software application developed by FlowWorks has potential for additional applications.

The purchase price allocation for FlowWorks is detailed in note 6 of the accompanying unaudited interim condensed consolidated financial statements for the three and nine months ended March 31, 2017.

For the nine months ended March 31, 2017, FlowWorks has realized total revenues of approximately \$512,908.

Convertible Debenture Financing

On June 28, 2016, the Company executed a Note Purchase Agreement (the "Agreement") with AIP Asset Management ("AIP") pursuant to which the Company has agreed to issue certain funds of AIP (collectively the "Holder") senior secured collateralized convertible notes (the "Note") in the aggregate principal amount of \$2,000,000 (the "Offering").

The Notes are due and payable two years from the respective date of issue, and will bear an interest rate of 10% per annum (12% if in default) calculated and payable monthly, in advance. At the option of the Holder, the Notes will be convertible into common shares of the Company (each a "Share") at a conversion price of \$0.45 per Share, subject to adjustments as provided in the Agreement. If, at any time following four months after the issue date of any note, the closing price per Share is at least \$0.75 per Share for 30 consecutive 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 amount of the outstanding Notes (the "Initial Conversion"). After the first anniversary of the issuance of the Notes, the Company, at its option, may prepay, without notice or penalty, the principal amount of all of the outstanding Notes in full or in part, together with any accrued and unpaid interest. The Proceeds for the Notes will be used for the development of the Company's BDaaS technology, further development of the FlowWorks application, sales and marketing and for general working capital purposes.

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During the year ended June 30, 2016, in connection with the closing of the first tranche of the Offering, the Company issued Notes in the aggregate principal amount of \$500,000 (the "Initial Notes"). The Notes representing the balance of \$2,000,000 (the "Additional Notes") will be issued upon satisfaction of various post-closing conditions as set out in the Agreement.

Completed Private Placements

On October 24, 2016, the Company closed its non-brokered private placement units offering, by issuing a total of 2,500,000 units, at a price of \$0.36 per unit, for gross proceeds of \$900,000. Each unit consists of one common share and one-half share purchase warrant. Each full warrant is exercisable at \$0.60 for a period of 24 months from the date of closing. Total share issuance costs include the issuance of finder's shares of 200,000 common shares at a price of \$0.36 per share and issuance of 200,000 finder's warrants. Each finder's warrant is exercisable at \$0.60 for a period of 24 months from the date of closing.

Short-Term Loans

During the nine-month period ended March 31, 2017, the Company has received a short-term loan of \$103,037 which is unsecured and non-interest bearing.

During the nine-month period ended March 31, 2017, the Company issued 906,580 common shares to settle short term debt in the aggregate of \$373,745.

As of March 31, 2017, the Company had loans payable balance of \$171,007, inclusive of interest accrued of \$748.

Granting of Stock options

Pursuant to the Company's Option Plan, the Company granted an aggregate of 615,247 stock options each exercisable into one common share of the Company at a price of \$0.45 per share to various employees, consultants and one officer exercisable until August 25, 2021.

Of the 615,247 options, 147,247 options (the "Officer Options") were granted to Skanderbeg Financial Advisory Inc., a company with the Chief Financial Officer of CARL as a director. The Officer Options follow a vesting schedule whereby 50% of the options vest immediately and 25% vest on each of September 30, 2016 and December 31, 2016. The remaining 468,000 options follow a vesting schedule whereby 25% vest immediately upon grant, 25% vest one year after the grant date, a further 25% vest two years after the grant date and the remainder vest three years after the grant date.

During the three months ended March 31, 2017, the Company granted an aggregate of 684,939 stock options each exercisable into one common share of the Company at a price of \$0.36 per share to various employees, consultants, and one officer exercisable until March 17, 2021. Of the 684,939 options, 54,939 options (the "Officer Options") were granted to BDirect Online Communications Inc., a company with the Chief Executive Officer of CARL as a director. These Options vests quarterly over a three-year period.

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Summary of Quarterly Results

Key financial information (unaudited) for each quarter of the 2016 fiscal year as well as the quarters spanning the two most recently preceding fiscal years is summarized as follows, reported in Canadian dollars:

	F2015-Q4 Jun 30 2015	F2016-Q1 Sep 30 2015	F2016-Q2 Dec 31 2015	F2016-Q3 Mar 31 2016	F2016-Q4 June 30 2016	F2017-Q1 Sep 30 2016	F2017-Q2 Dec 31 2016	F2017-Q3 Mar 31 2017
Revenue	\$ 15,750	\$ 21,250	\$ 263,952	\$ 227,706	\$ 295,353	\$ 286,029	\$ 285,603	\$ 239,397
Expenses	\$ 232,793	\$ 276,376	\$ 830,205	\$ 978,775	\$ 2,653,425	\$ 1,368,215	\$ 1,696,275	\$ 1,100,086
Net Loss	\$ (165,042)	\$ (255,126)	\$ (635,927)	\$ (751,069)	\$ (2,150,519)	\$ (1,082,186)	\$ (1,410,672)	\$ (830,689)
Loss per Share								
Basic	\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.03	\$ 0.03	\$ 0.02
Diluted	\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.03	\$ 0.03	\$ 0.02
Assets	\$ 749,039	\$ 623,220	\$ 4,488,674	\$ 3,955,986	\$ 1,799,508	\$ 2,196,695	\$ 2,288,204	\$ 1,738,034
Liabilities	\$ 55,907	\$ 75,214	\$ 1,878,863	\$ 1,775,631	\$ 1,233,789	\$ 1,438,013	\$ 1,176,756	\$ 1,317,128
Shareholders' Equity	\$ 693,132	\$ 548,006	\$ 2,609,811	\$ 2,180,355	\$ 565,719	\$ 757,682	\$ 1,111,448	\$ 420,906

The increase in expenses in Q4 2016 mainly related to the impairment of goodwill of \$2,005,568 recognized during the quarter due to decreased future expectations with respect to revenue which resulted in a negative net present value.

Overall operating loss in the period ended March 31, 2017, was \$830,689 of which \$172,412 was consulting and professional fee, and \$375,468 was salaries and wages. The previous period end had a loss of \$1,410,672 which was primarily consulting and professional fees.

Discussion of Third Quarter Operations

Revenue

The balance of revenues of \$512,908 relates to the revenue generated by FlowWorks in the period from July 1, 2016 to March 31, 2017. FlowWorks generates revenue from service fees from its web-based application used for data analysis.

Operating Expenses

Overall, the Company's operating expenses have increased over the prior period as the Company has grown considerably from the prior period having completed its IPO, listing on the CSE and acquisition of FlowWorks between the comparative period and present. Consequently, operating expenses have increased as the Company is a publicly reporting entity with a larger corporate structure.

Consulting and professional fees

Consulting and professional fees for the nine months ended March 31, 2017 were \$1,058,130 (2016 - \$367,503) and \$296,806 (2016 - \$184,858), respectively. In the current period, the Company hired new contractors to work on software development programs. The Company has engaged a larger number of consultants to support its growing business model.

Occupancy costs and office expenses

Occupancy costs and office expenses for the nine months ended March 31, 2017 were \$46,146 (2016 - \$50,581) and \$151,374 (2016 - \$74,370), respectively. Costs have increased following the acquisition of ETS and FlowWorks, and listing on the CSE in the comparative period. The increased activity has resulted in additional office space and supplies expenses.

Filing and transfer agent fees and Investor Relations

The Company has begun incurring filing and transfer agent fees pertaining to ongoing public company related regulatory and compliance expenses. The Company initiated investor relations campaigns to ensure that the Company maintains access to public markets for fund raising and 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.

Salaries & wages

Salaries and wages expense of \$965,520 (2016 - \$418,393) predominantly relates to newly hired staff working on software development and data integration, and sales and administrative staff.

Specific items

Amortization expense of \$195,782 (2016 - \$366,860) relates to the amortization of FlowWorks' software estimated to have a three-year life and its customer list estimated to have a five-year life. Financing costs of \$254,499 (2016 - \$109,456) relate to the due diligence process with the Investor for a potential convertible notes financing (see above). The foreign exchange gain of \$16,028 relates to the impact of the change in the Canadian / US dollar exchange rate on transactions in FlowWorks.

Operating Activities and Plans

Phase I

Strategy and Timeline

Following the completion of its initial public offering, the Company raised sufficient funds to complete the development of Phase I, which allowed 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.

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

Software Development for ETS

ETS recently launched version 2.0 of its automated social referral marketing application. ETS' new application was rebuilt using the Microsoft Azure cloud hosting platform. The ETS application enables enterprises to leverage customer's social media networks for referral marketing and analytics purposes. The application uses CARL's proprietary big data platform to make sense of social media comments.

Azure provides the application with virtually unlimited scalability and data storage. Azure also increases overall operating efficiencies and provides a major cost savings in hosting fees. ETS now uses the following Microsoft Azure technologies:

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- Azure Blob Storage and Azure Data Factory for unlimited data collection, storage and retrieval of customer data from social media networks;
- Azure Hive Scripts for data selection for analysis of specific data points;
- Azure Machine Learning for advanced analytics, enabling the extraction of key words and actions, temporality quotes and sentiment tracking; and
- HD Insight for computational and analytics purposes and to unveil in-depth insights into social media referral campaigns.

ETS has partnered with a digital marketing agency for distribution of its application to large multi-national companies.

ETS 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 acquisition 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, 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
Expenditure on software development	-	-	-
Balance – March 31, 2017	\$ 83,428	\$204,172	\$ 287,600

Phase II

Strategy and Timeline

The goal of Phase II is for the Company, in the longer term, to complete one or more targeted acquisitions that demonstrates 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.

Utilizing this strategy, the Company completed its second acquisition with FlowWorks on October 13, 2015. FlowWorks is an owner of a Software-as-a-Service (SaaS) web-based online application that provides its clients with advanced tools to analyze environmental data. FlowWorks has a proven platform with existing high-margin, recurring revenues and capacity for exponential growth. The acquisition will allow CARL to use the FlowWorks platform to branch into utility markets that are underserved by data analysis software and expand on the company's ability to provide turnkey BDaaS solutions for data centric companies.

FlowWorks has a committed, pre-existing customer base. CARL plans to expand upon FlowWorks' proven marketing strategy to attract new customers by implementing innovative marketing automation technologies, which include the use of CARL's ETS Social Referral Marketing Application. Integration with CARL's backend infrastructure will provide

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a more scalable and faster functioning application. CARL's scalable data storage and analytics solution will allow FlowWorks to collect larger volumes and more diverse types of data than it currently has the capacity to manage.

The nature of CARL's storage service lends itself to much easier data discovery. Using new methods of data modelling, Carl will add additional algorithmic and machine learning features for accurate and detailed predictions.

Following the acquisition, CARL will spend the next several months fully integrating FlowWorks into the operations of CARL which will include the following tasks:

- Transition FlowWork's web-based application to Microsoft Azure;
- Redesign FlowWork's Customer Manager System ("CMS");
- Build knowledge-based technical documentation for the FlowWorks application;
- Building marketing automation to integrate with CARL's CRM system;
- Expansion of marketing force in targeted geographic regions; and
- Add a technical project manager to assist in client-facing business development and customization projects.

Software Development for FlowWorks

The following is a list of planned upgrades and improvements to FlowWorks' software application:

- Upgrade FlowWork's application for the I&I function, a tool that allows end-users to determine the overall effectiveness of their waste water system;
- Develop a prototype application enabling end-users to make their own system customization and modifications;
- Creating a multi-site functionality to the application system; and
- Improve customer dashboard reporting features.

FlowWorks Acquired Software Application

The software application relates to the web-based application acquired with FlowWorks. The application is in use and being amortized over a period of three years.

	Value	Amortization	Cumulative Translation Adjustment	Total
Balance – June 30, 2014 and 2015	\$ -	\$ -	\$ -	\$ -
Acquires software application	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
Amortization	-	(96,909)	-	(64,283)
Foreign currency translation	-	-	22,596	39,290
Balance – March 31, 2017	\$ 387,634	\$ (188,550)	\$ 20,662	\$ 269,066

Sources and Uses of Cash

Liquidity and Capital Resources

During the nine months ended March 31, 2017 the Company's operating activities required \$1,579,502 (2015 - \$1,273,184) in cash.

The company's cash as at March 31, 2017 was \$23,208 and the Company's working capital deficit was \$315,332.

Financing Activities

During the nine months ended March 31, 2017, the Company:

- Received \$900,000 in cash from a non-brokered private placement
- Received \$311,000 in cash from convertible note.
- \$65,910 was generated from the exercise of stock warrants. In the comparative period, the Company received \$110,000 in cash from shares issued pursuant to private placements.

Investing Activities

The software development expense is \$Nil in the nine months of the ended March 31, 2017 (2016 - \$73,767).

Capital Structure

As at the date of this MD&A, the Company has 39,452,498 common shares, 2,554,667 warrants, and 2,845,150 stock options outstanding.

Subsequent to March 31, 2017, the Company issued 16,000 common shares on exercise of warrants.

Stock Options

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

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 and FlowWorks. 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.

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 nine months ended March 31, 2017.

The Company's financial instruments consist of cash, amounts receivable, accounts payable and short term loans. 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. At March 31, 2017, the Company considered that foreign exchange risk was a significant market risk.

Following the acquisition of FlowWorks, the Company has increased exposure to the United States dollar. FlowWorks has sales in Canada and the United States and incurs expenses in the Canadian and United States dollar. As such, the Company is exposed to foreign currency risk in fluctuations among these currencies. Fluctuations in the exchange rate between the Canadian dollar and United States dollar may have a material effect on the Company's business and financial condition.

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. The Company monitors accounts receivable for aging and changes in customer credit to indicate bad debts. Other credit risk is related to the carrying value of cash, which the Company holds at a major Canadian chartered bank and a US-based bank, in various chequing and savings accounts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At March 31, 2017, the Company was not subject to significant interest rate risk.

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 striving to maintain adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company works 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 loans become due on May 31, 2016. The Company has worked to reduce liquidity risk by leveraging equity instruments.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company has entered into an executive consulting agreement for the services of the President and CEO, 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 for the services of President and CEO.

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 for the services of CFO. Beginning July 1, 2016, the Company increased the fee to \$7,000 per month.

During the period ended March 31, 2017, the Company paid or accrued, to key management personnel and their related companies, total compensation of \$718,612 (2016 - \$115,750) in consulting fees and expensed \$36,428 (2016 - \$24,240) in share-based payments to key management personnel and their related companies. Key management personnel includes a company controlled by the CEO of the Company, a company controlled by a director of the Company, a company controlled by the CFO of the Company, and the former CFO of the Company.

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During the period ended March 31, 2017, the Company issued 3,177,275 common shares, including 2,282,282 to related parties, to settle debt of \$1,432,499, including \$931,597 to related parties;

Included in accounts payable and accrued liabilities is \$55,422 (June 30, 2016 - \$87,986) 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 12.

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.

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 period ended March 31, 2017, the Company earned sales revenue from KWL of \$100,400 and incurred expenses from KWL of \$61,270. Included in accounts receivable as at March 31, 2017 is a balance owing from KWL of \$184,675. The Company owed accounts payable of \$220,148 to KWL as at March 31, 2017.

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

Commitment

- (a) 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.
- (b) During the nine months ended March 31, 2017, the Company has entered into a settlement agreement with FlowWorks' dissented shareholder (note 7) by agreeing to the following:
 - (i) Cash payment of US\$1,000 within 30 days of the signing of final settlement;
 - (ii) Cash payment of US\$100,000 within 90 days of the signing of final settlement;
 - (iii) Issuing 444,444 common shares of the Company, subject to certain restrictions, within 5 days of the signing of final settlement with certain restrictions not yet finalized;
 - (iv) Issuing 444,444 common shares of the Company, subject to certain restrictions, within 10 days of the signing of a final settlement; and
 - (v) Issuing 44,444 common shares of the Company, subject to certain restrictions, within 6 months of the signing of final settlement.

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 consistent with those used to prepare the audited consolidated financial statements for the year ended June 30, 2016 except where the Company has adopted new policies. The accounting estimates that the Company considers to be critical are described in Note 5 of the accompanying interim condensed consolidated financial statements for the three and nine months ended March 31, 2017. The accounting estimates considered to be significant to the Company include the review of the carrying values of software development assets, acquisition date fair values of identifiable assets and liabilities of FlowWorks and equity transactions.

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

Future Changes in Accounting Policies

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the period ended March 31, 2017:

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 periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

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 periods beginning on or after January 1, 2018. The impact of IFRS 15 on the Company's financial instruments has not yet been determined.

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 periods 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.

Risk Factors

The following are major risk factors management has identified which relate to the Company's business activities. Such risk factors could materially affect the Company's future financial results and could cause events to differ materially from those described in forward-looking statements relating to the Company. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

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.

Capitalization and Commercial Viability

The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking of additional capital on less favourable terms and/or other remedial measures.

History of Operating Losses

The Company has an accumulated deficit since its incorporation through March 31, 2017 of \$7,717,872. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

General Economic Conditions

The Company currently operates in Canada and the United States and, like all global businesses, it has been subject to the impact of the current global credit and financial crisis on consumers in its areas of operations and the discretionary spending available to them. General economic conditions have resulted in reduced consumer and government spending and have impacted the Company's profitability. Should these conditions continue to prevail, there will be further pressure on the Company's profitability.

Key Employees

The success of the Company, like all marketing and software companies, is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

New Market Risk

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.

Intellectual Property Risks

The Company has taken steps to protect its proprietary technology. The Company relies on a combination of trademark, trade secrets, laws and other intellectual property protection methods to protect its proprietary technology. These steps may not completely protect the Company's proprietary technology, nor give it a competitive edge. Others may independently develop substantially equivalent technology or gain access to our trade secrets. If the Company is unable to protect its intellectual property, the business over time could be materially affected. The Company will pursue all avenues available to it, if necessary, to enforce its patents, and to protect its trademarks and other intellectual property rights owned by the Company.

Reliance on Information Systems and Technology

The Company's business relies upon information technology systems to service customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Should a significant disruption to its information technology to occur, the Company's earnings could be adversely affected through loss of revenue and the costs to rectify the disruption. The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims the Company's earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention. The Company may also be required to expend significant capital and resources to protect

against the threat of security, encryption and authentication technology breaches or to alleviate problems caused by such breaches.

Reliance on Third Party Licenses

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

Risk Associated with International Operations

Management of the Company believes that its continued growth and profitability will require expansion of its sales further in the United States and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international partners, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's applications and services. The risk associated with currency fluctuations are comprised mainly of the Company's United States denominated sales, component purchases and other expenses. In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the United States dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company may use hedges to mitigate the risk of foreign currency exposure.

Goodwill

Goodwill is the excess of the cost of an acquired enterprise over the net amount assigned to individual assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is tested for impairment annually by comparing the fair value of the operating cash flows to the carrying value of the reporting unit.

Expansion

The success of the Company's continued expansion will depend upon many factors, including the ability of the Company to maintain acceptable attrition rates and control of operating costs. There can be no assurance that the Company will be able to grow or achieve its continued expansion. Such risks, if they materialize, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Available Workforce

The Company's continued success will depend on the performance and continued service of the Company's employees. The Company relies on the ability to attract new software engineers and developers, research and development staff, production personnel and key sales and marketing employees. The Company will continue to develop our employees and search for key new hires, however there is no assurance that the Company will be able to retain existing personnel or attract, hire and retain additional qualified personnel.