CARL DATA SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(AUDITED)
(Expressed in Canadian Dollars)

CONTENTS

WOLRIGE MAHON

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, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, shareholders' equity (deficiency) and 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, 2017 and 2016, 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 consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about CARL Data Solutions Inc.'s ability to continue as a going concern.

"Wolrige Mahon LLP"

CHARTERED PROFESSIONAL ACCOUNTANTS

October 20, 2017
Vancouver, B.C.

CARL DATA SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30,

(Expressed in Canadian dollars)

	2017	2016
ASSETS		
Current Assets		
Cash	$ 40,606	$ 136,010
Accounts and other receivables (note 6)	216,864	275,061
Prepaid expenses (note 10)	228,993	206,541
	486,463	617,612
Non-Current Assets		
Software in development (note 7)	287,600	287,600
Software application (notes 5 and 7)	174,039	294,059
Customer list (notes 5 and 7)	439,198	563,816
Goodwill	36,421	36,421
Total Assets	$ 1,423,721	$ 1,799,508
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	$ 808,984	$ 658,447
Loans payable (note 9)	448,907	515,104
Convertible note (note 10)	29,735	-
	1,287,626	1,173,551
Convertible note (note 10)	357,999	60,238
Total Liabilities	1,645,625	1,233,789
Shareholders' Equity (Deficiency) (note 11)		
Share capital	7,910,928	4,674,982
Reserves	436,221	249,727
Equity conversion feature on convertible note (note 10)	78,296	7,687
Accumulated other comprehensive gain (loss)	16,407	(2,352)
Commitment to issue shares (note 5)	317,333	-
Deficit	(8,981,089)	(4,364,325)
	(221,904)	565,719
Total Liabilities and Shareholders' Equity (Deficiency)	$ 1,423,721	$ 1,799,508

Nature of Operations and Going Concern (note 1)
Commitments (note 19)
Subsequent Events (note 22)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Kevin Ma"	*"Chris Johnston"*
Director	**Director**

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

CARL DATA SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JUNE 30,

(Expressed in Canadian dollars)

	2017	2016
Revenue		
Data services	$ 918,629	$ 671,857
Other	271,770	136,404
	1,190,399	808,261
Expenses		
Accretion of convertible note (note 10)	133,891	-
Amortization (note 7)	267,539	185,024
Bad debts (notes 6 and 18)	23,143	109,480
Computer and technology costs	131,947	52,959
Consulting (note 18)	667,677	579,330
Filing and transfer agent	58,040	23,270
Foreign exchange (gain) loss	(37,290)	1,278
Interest and penalties (notes 9 and 10)	134,975	182,689
Investor relations	412,554	198,577
Marketing	51,461	45,785
Occupancy	96,024	64,717
Office and miscellaneous	173,473	94,648
Professional	367,400	225,436
Share-based payments (notes 11(b)(vi), 13 and 18)	242,774	133,574
Salaries and wages	1,295,328	655,338
Travel	96,397	71,652
Operating loss	(2,924,934)	(1,815,496)
Other expenses		
Financing costs (note 10)	(759,349)	(109,456)
Impairment of goodwill (note 5)	-	(2,005,568)
Loss on conversion of convertible note (note 10)	(458,012)	-
Loss on settlement of debt (note 11(b))	(123,627)	-
Settlement of contingency (note 5)	(350,842)	-
Loss before income tax	(4,616,764)	(3,930,520)
Deferred income tax recovery (note 20)	-	140,231
Loss for the year	(4,616,764)	(3,790,289)
Other comprehensive loss		
Foreign exchange gain (loss) on translation of subsidiary	18,759	(2,352)
Comprehensive loss for the year	$ (4,598,005)	$ (3,792,641)
Weighted Average Number of Common Shares Outstanding		
Basic and Diluted	36,493,279	26,481,969
Loss Per Share		
Basic and Diluted	($0.12)	($0.14)

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

CARL DATA SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

(Expressed in Canadian dollars)

	2017	2016
Cash Flows used in Operating Activities		
Net loss for the year	$ (4,616,764)	$ (3,790,289)
Non-cash items		
Amortization	267,539	185,024
Accrued interest expense	748	178,304
Loss on conversion of convertible debt	458,012	-
Loss on settlement of debt	123,627	-
Impairment of goodwill	-	2,005,568
Deferred income tax recovery	-	(140,231)
Share-based payments	242,774	133,574
Accretion of convertible note	133,891	-
Shares issued for investor relations	322,500	-
Shares to be issued for settlement of contingency (note 5)	317,333	-
Financing fees	702,607	-
Changes in non-cash working capital items:		
Accounts and other receivables	60,144	(19,736)
Prepaid expenses	(68,736)	1,157
Accounts and other payables	185,744	(32,035)
	(1,870,581)	(1,478,664)
Cash Flows used in Investing Activities		
Software development	-	(50,289)
Acquisition of FlowWorks, Inc. (note 5)	-	124,055
Dissenter liability	-	(198,014)
	-	(124,248)
Cash Flows provided by Financing Activities		
Proceeds from issuance of common shares	900,000	177,200
Proceeds from exercise of stock options	109,850	22,000
Proceeds from exercise of warrants	71,510	54,076
Proceeds from convertible note, net of transaction costs	390,000	388,300
Share issuance costs	-	(2,016)
Advances from short-term loans	377,900	765,600
Repayment of short-term loans	(71,100)	(100,000)
	1,778,160	1,305,160
Effect of foreign exchange on cash	(2,983)	3,632
Change in cash during the year	(95,404)	(294,120)
Cash – beginning of year	136,010	430,130
Cash – end of year	$ 40,606	$ 136,010

Supplemental Cash Flow Information (see note 16)

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

CARL DATA SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED JUNE 30

(Expressed in Canadian dollars, except share amounts)

	Share Capital							
	Shares	**Amount**	**Reserves**	**Equity conversion feature on convertible note**	**Accumulated other comprehensive gain (loss)**	**Commitment to issue shares**	**Deficit**	**Total**
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 settlement (note 11(b)(i))	1,109,334	332,800	-	-	-	-	-	332,800
Financing fees (notes 11(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
Net comprehensive loss for the year	-	-	-	-	18,759	-	(4,616,764)	(4,598,005)
Shares issued for:								
Cash (note 11(b)(v))	2,500,000	900,000	-	-	-	-	-	900,000
Share issuance costs, shares (note 11(b)(v))	200,000	72,000	-	-	-	-	-	72,000
Share issuance costs, shares (note 11(b)(v))	-	(72,000)	-	-	-	-	-	(72,000)
Exercise of warrants (notes 11(b)(i) and 11(b)(ix))	422,600	83,270	(11,760)	-	-	-	-	71,510
Exercise of options (note 11(b)(ii))	998,636	172,979	(63,129)	-	-	-	-	109,850
Fees (notes 11(b)(iv) and 11(b)(vi))	425,000	164,000	-	-	-	-	-	164,000
Conversion of convertible note (note 11(b)(iv))	1,191,176	537,485	-	(6,226)	-	-	-	531,259
Debt settlement (notes 11(b)(iii), 11(b)(vii), 11(b)(viii) and 11(b)(x))	3,177,275	1,404,821	-	-	-	-	-	1,404,821
Share issuance costs – warrants (note 11(b)(v))	-	(26,609)	26,609	-	-	-	-	-
Share-based payments (note 13)	-	-	234,774	-	-	-	-	234,774
Convertible feature on convertible note (note 10)	-	-	-	76,835	-	-	-	76,835
Commitment to issue shares (note 5)	-	-	-	-	-	317,333	-	317,333
Balance – June 30, 2017	39,452,498	$7,910,928	$ 436,221	$ 78,296	$ 16,407	$ 317,333	$(8,981,089)	$(221,904)

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

1. Description of Business and Nature of Operations

CARL Data Solutions Inc. ("**CARL**") was incorporated under the Business Corporations Act (British Columbia) on January 17, 2014 as Carl Capital Corp. 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 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 Frankfurt Stock Exchange (under the symbol: 7C5) and the OTC Pink (under the symbol: CDTAF). 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 is developing 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, 2017, the Company had not achieved profitable operations, has accumulated a deficit of $8,981,089 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 International Financial Reporting Standards ("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, which is the functional currency of the parent company.

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.

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 to 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 impaired accounts receivable, the collection of which may be uncertain.

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

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.

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 used its judgment to select methods and makes assumptions that reflected 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. Equity-settled transactions with non-employees are recorded at the fair value of the service provided, where this is readily determinable. In other instances they are recorded at the fair value of the equity instruments issued. 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. ETS and FlowWorks have historically maintained a fiscal year-end of December 31, and retained that year-end post acquisition. 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

3. Significant Accounting Policies (cont'd…)

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

Impairment

At the end of each reporting period, the Company's long-lived 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, due to a change in circumstances, 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).

3. Significant Accounting Policies (cont'd…)

- All resulting changes are recognized in other comprehensive income as foreign exchange gain (loss) on translation of subsidiary.

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 functional currency of each entity 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 for the year, 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 by allocating goodwill to the cash generating units expected to benefit from it and comparing the carrying amount of the units, including the goodwill, with the recoverable amount of the units.

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. Transactions costs are included in the initial carrying value of financial instruments, except for those carried at fair value through profit or loss for which transactions costs are expensed as incurred.

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.

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 accounts receivable 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, 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 balances are reduced through the use of an allowance account or written off directly against the balance owing.

Valuation of equity units issued in private placements

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and is valued at fair value, as determined by the closing quoted bid price on the closing date. The balance, if any, is 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.

Share-based payments

The fair value of all share-based awards granted is recorded, at the measurement date fair value, as an asset or a charge to profit or loss and as a credit to contributed surplus under the graded attribution method.

3. Significant Accounting Policies (cont'd…)

The fair value of share-based awards granted to employees and others providing similar services which vest immediately is recorded at the date of grant. The fair value of share-based awards which vest in the future is recognized over the vesting period, as adjusted for the expected level of vesting of the options. The fair value of share-based awards is estimated using the Black-Scholes pricing model, with estimated volatility based on the historical volatility of the Company's share price.

Share-based awards granted to parties other than employees and those providing similar services are measured at the fair value of the goods and services received on the date of receipt. If the fair value of the goods and services received cannot be reliably measured, their value is estimated using the Black-Scholes option pricing model, with estimated volatility based on the historical volatility of the Company's share price.

Any consideration received on the exercise of share-based awards together with the related portion of contributed surplus attributed to the exercised share-based awards is credited to share capital. When share-based awards expire unexercised the amounts recorded in contributed surplus with respect to those share-based awards are not reclassified within equity.

Earnings per share

Earnings per share is calculated by dividing the net income for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. Basic and diluted earnings per share are the same for the periods presented as stock options or other dilutive instruments outstanding during the periods presented were anti-dilutive.

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.

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.

Segment reporting

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management, collectively the chief operating decision maker, in assessing performance and in determining the allocation of resources.

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.

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting these amendments on its financial statements.

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.

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 connection with the dissenter's rights. During the year ended June 30, 2017, the Company agreed to settle with the dissenter in exchange for paying US$111,000 and issuing 933,332 common shares. As at June 30, 2017 $144,559 (2016 – $116,033) is included in accounts payable and accrued liabilities and $317,333 (2016 - $Nil) has been recorded as a commitment to issue shares. As at the date of the approval of the consolidated financial statements, US$111,000 has been paid and 888,888 shares have been issued in accordance with the settlement agreement, in settlement of the liability and partial settlement of the shares issuable to the dissenting shareholder (note 22).

The 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.

(figures in tables are expressed in Canadian dollars)

5. Acquisition of FlowWorks (cont'd…)

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
	$	2,441,407

Accounts receivable acquired with FlowWorks are trade receivables under the 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 a 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, on the date of acquisition, 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 (note 7). During the Company's annual impairment review in 2016, the Company decreased future expectations with respect to revenue which resulted in a negative net present value and, accordingly, wrote off the goodwill arising on acquisition of $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 (note 7).

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.

6. Accounts and Other Receivables

		June 30, 2017		June 30, 2016
Gross trade accounts receivable	$	216,686	$	277,762
Less: allowance for doubtful accounts		(6,512)		(10,334)
Net trade accounts receivable		210,174		267,428
Goods and services tax ("GST") receivable		6,690		7,633
	$	216,864	$	275,061

(figures in tables are expressed in Canadian dollars)

6. Accounts and Other Receivables (cont'd…)

Reconciliation of allowance for doubtful accounts is as follows:

	June 30, 2017	June 30, 2016
Balance – beginning of year	$ 10,334	$ -
Provision	23,143	10,334
Write-offs	(6,053)	-
Recovery	(20,912)	-
Balance – end of year	$ 6,512	$ 10,334

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. Management has not yet deployed the asset in its intended format and as such it is not yet in use at June 30, 2017. 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 and 2017	$ 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 1.25 years remaining unamortized.

	Cost	Amortization	Cumulative Translation Adjustment	Total
Balance – June 30, 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
Amortization	-	(132,427)	-	(132,427)
Foreign currency translation	-	-	12,407	12,407
Balance – June 30, 2017	$ 387,634	$ (224,068)	$ 10,473	$ 174,039

(figures in tables are expressed in Canadian dollars)

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 3.25 years remaining unamortized.

	Cost	Amortization	Cumulative Translation Adjustment	Total
Balance – June 30, 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
Amortization	-	(135,112)	-	(135,112)
Foreign currency translation	-	-	10,494	10,494
Balance – June 30, 2017	$ 659,154	$ (228,495)	$ 8,539	$ 439,198

8. Accounts Payable and Accrued Liabilities

	June 30, 2017	June 30, 2016
Trade accounts payable	$ 440,367	$ 249,966
Due to related parties (note 18)	183,588	247,448
Accrued liabilities	40,500	45,000
Dissenter liability payable (note 5)	144,559	116,033
	$ 808,984	$ 658,447

The dissenter liability is comprised of the cash liability portion payable of $144,559 (2016 - $116,033) (CAD equivalent of US111,000) payable to the dissenting shareholder arising from the acquisition of FlowWorks (note 5).

9. Loans Payable

	June 30, 2017	June 30, 2016
Balance – beginning of year	$ 515,104	$ 4,000
Advances of short-term loans	377,900	765,600
Interest and fees accrued	748	178,304
Repayments – cash	(71,100)	
Settlements – shares (notes 11(b)(iii) and (x))	(373,745)	(432,800)
Balance – end of year	$ 448,907	$ 515,104

During the year ended June 30, 2017, the Company issued 67,777, 406,887 and 435,111 common shares at $0.52, $0.52 and $0.40, respectively, to settle short term debt in the aggregate of $373,745. A loss on settlement of debt of $47,128 (2016 - $nil) was recorded in profit or loss.

9. Loans Payable (cont'd…)

During the year ended June 30, 2017, the Company was advanced $377,900 in short term loans from unrelated parties. The loans were unsecured, non-interest bearing, and repayable upon demand. The full balance of the loans remain outstanding as at June 30, 2017.

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 in the year ended June 30, 2016 (note 11).

(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, being the unrelated party amount loaned, remains outstanding as at June 30, 2017.

(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, 2017.

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. Each tranche matures within two years of issuance.

On June 30, 2016, 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, each of 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. Total commitment fees of $237,500, applicable to the full facility, were initially incurred and deferred. These fees are recognized as part of the initial carrying values of the each tranche of debt issued based on the relative percentage of each tranche face value to the total facility value of $2,000,000. At June 30, 2017 $131,813 (2016 – $178,125) is recorded in prepaid expenses. 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.

(figures in tables are expressed in Canadian dollars)

10. Convertible Note (cont'd…)

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.

During the year ended June 30, 2017, the Company entered into an amendment allowing the conversion at the price of $0.34 per share and of the initial $500,000 tranche, $405,000 was converted through the issuance of 1,191,176 common shares. The Company recognized $458,012 to the statement of loss and comprehensive loss as a result of the conversion. In connection with the conversion, the Company was required to issue 400,000 common shares to the holder with a fair value of $156,000 to settle amounts payable of $136,000. The 400,000 common shares issued represent the balance of the bonus shares not issued during fiscal 2016.

During the year ended June 30, 2017 total finance expenses of $759,349 were charged to profit or loss (2016 - $109,456). The finance fees are comprised of bonus shares $136,000; administration fees $88,750; finance fees $31,742 and guarantee fees of $502,857. The fees for 2016 comprise primarily of due diligence fees.

During the year ended June 30, 2017, the Company initiated issuances of the Company's convertible notes and received $390,000 in proceeds, of which $87,189 was recognized to equity upon receipt. During fiscal 2017 issuances of Notes with face values and issuance dates were completed as follows: September 1, 2016 - $160,000; September 30, 2016 - $150,000 and April 30, 2017 - $80,000.

	June 30, 2017	June 30, 2016
Balance, beginning of year	$ 60,238	$ -
Issuance of convertible notes – face value	390,000	500,000
Transaction costs	(46,313)	(432,075)
Convertible note, equity component	(76,835)	(7,687)
Accretion of convertible note	133,891	-
Conversion of convertible note	(73,247)	-
Balance, end of year	387,734	60,238
Current portion	(29,735)	-
Long-term portion	$ 357,999	$ 60,238
Convertible note, equity component, end of year	$ 78,296	$ 7,687
Face value of Note at maturity	$ 485,000	$ 500,000

The Note is guaranteed by the Company's two subsidiaries, ETS and FlowWorks as well as partially guaranteed by the CEO ($130,000) and the former CFO ($60,000) of the Company, and an unrelated party ($300,000).

11. Share Capital

(a) Authorized Share Capital

As at June 30, 2017, 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, 2017, the Company issued common shares as follows:

(i) On May 2, 2017, the Company issued 16,000 common shares through the exercise of warrants for gross proceeds of $5,600.

11. Share Capital (cont'd…)

(ii) On March 17, 2017, the Company issued 998,636 common shares through the exercise of stock options for gross proceeds of $109,850.

(iii) On October 24, 2016 and November 23, 2016, the Company issued a total of 727,611 common shares at a price of $0.34 to settle debts of $247,388. The Company recorded a loss on settlement of debts of $53,786 based on the difference between the fair value of the shares on the settlement date and the value of the debts settled.

(iv) On November 23, 2016, the Company issued 1,191,176 common shares for the conversion of $405,000 in convertible debentures and a further 400,000 common shares as bonuses related to the conversion. The Company recorded the fair value of the bonus shares based on the issuance date fair value of $156,000.

(v) On October 24, 2016, the Company 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. No amount was allocated to the warrants portion of the units, on a residual value basis, as the share price on issuance was in excess of the unit price. In connection with the offering, the Company issued 200,000 finder's shares and 200,000 finder's warrants under the same terms as above. The Company recognized non-cash issue costs of $72,000 for the shares and $26,609 for 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, 0.48%; Dividend yield, 0%; Expected volatility, 70%; and Expected life, 2 years.

(vi) On October 12, 2016, the Company issued 25,000 bonus common shares, with a fair value of $8,000, to a consultant for recruitment services.

(vii) On September 28, 2016, the Company issued 750,000 common shares at a price of $0.40 per share to settle $300,000 of accounts payable owed to an arm's length party. The Company recorded a loss on settlement of debt of $22,500 based on the difference between the fair value of the shares on the settlement date and the value of the debt settled.

(viii) On September 16, 2016, the Company issued 750,000 common shares at a price of $0.40 per share to settle $300,000 of accounts payable owed to a non-arm's length party. The Company recorded a loss on settlement debt of $15,000 based on the difference between the fair value of the shares on the settlement date and the value of the debt settled.

(ix) On August 23 and September 26, 2016, the Company issued a total of 406,600 common shares through the exercise of share purchase warrants for gross proceeds of $65,910.

(x) On July 20, 2016, the Company issued 949,664 common shares including 881,887 common shares at a price of $0.48 per share and 67,777 common shares at a price of $0.45 per share to settle $453,806 of debt owed and amounts payable to various arm's length and non-arm's length parties. The Company recorded a loss on settlement of debt of $40,019 based on the difference between the fair values of the shares on the settlement date and the value of the debt settled.

During the year ended June 30, 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.

(figures in tables are expressed in Canadian dollars)

11. Share Capital (cont'd…)

(b) Issued Share Capital (cont'd…)

(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.

(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.

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, 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
Issuance of warrants	$0.60	1,450,000
Expired	$0.35	(514,720)
Exercised	$0.17	(422,600)
Balance – June 30, 2017	$0.56	2,046,667

(figures in tables are expressed in Canadian dollars)

12. Warrants (cont'd …)

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

	Exercise price	Number of warrants	Expiry date
Finder's warrants	$0.60	200,000	October 23, 2018
Share purchase warrants	$0.45	42,000	December 29, 2017
Share purchase warrants	$0.45	554,667	January 21, 2018
Share purchase warrants	$0.60	1,250,000	October 23, 2018
		2,046,667	

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.

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, 2015	$0.11	1,835,000
Granted	$0.40	1,128,600
Exercised (weighted average share price of $0.37)	($0.11)	(200,000)
Balance – June 30, 2016	$0.23	2,763,600
Granted	$0.40	1,300,186
Exercised (weighted average share price of $0.33)	($0.11)	(998,636)
Balance – June 30, 2017	$0.34	3,065,150

Incentive share options outstanding and exercisable June 30, 2017 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	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	636,364	2.56 years	$0.11	636,364	$0.11
$0.40	1,128,600	3.56 years	$0.40	674,300	$0.40
$0.45	615,247	4.15 years	$0.45	264,247	$0.45
$0.36	684,939	4.72 years	$0.36	57,078	$0.36
	3,065,150		$0.34	1,631,989	$0.29

(figures in tables are expressed in Canadian dollars)

13. Share-Based Payments (cont'd …)

The weighted average fair value of options granted during the year was $0.23 per option (2016 - $0.23). Total share-based payments recognized in profit or loss for incentive options granted and vested for the year ended June 30, 2017 was $234,774 (2016 - $133,574). 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:

	2017	**2016**
Weighted average share and exercise price	$ 0.40	$ 0.40
Risk-free interest rate	0.91%	0.63%
Expected life of option	5 years	5 years
Expected annualized volatility based on peer comparison	70%	70%
Expected dividend and forfeiture rate	Nil	Nil

14. Shares held in Escrow

As at June 30, 2017, a total of 4,873,765 (June 30, 2016 – 9,747,525) 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 (deficiency) as described in the consolidated statements of shareholders' equity (deficiency). 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 financing 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, 2017 remains fundamentally unchanged from the year ended June 30, 2016.

16. Supplemental Cash Flow Information

During the year ended June 30, 2017:

a) the Company's non-cash investing and financing activities included issuing 200,000 finder's warrants exercisable at a price of $0.60 per common share until October 23, 2018 at a value of $26,609;
b) the Company issued 200,000 common shares at a price of $0.36 for a total value of $72,000 as finder's fees on a private placement;
c) the Company issued 400,000 common shares at a price of $0.45, for a total value of $180,000, as a bonus fee for the conversion of a portion of the convertible note;
d) the Company issued 25,000 common shares at a price of $0.32, for a total value of $8,000, as a bonus to a former officer;
e) the Company issued 3,177,275 common shares at various prices for a total value of $1,432,499, for the settlement of accounts payable and short-term loans; and
f) the Company issued 1,191,176 common shares at a price of $0.34 for a total value of $405,000 for the conversion of a portion of the convertible note.

(figures in tables are expressed in Canadian dollars)

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 finder's 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).

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:

	June 30, 2017	June 30, 2016
Revenue		
Canada	$ 448,266	$ 482,580
United States	742,133	325,681
	$ 1,190,399	$ 808,261

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 former CFO of the Company. Under the terms of the agreement, the Company paid the company a total of $5,000 per month. Subsequent to the year ended June 30, 2017, this contract expired.

During the year ended June 30, 2017, the Company paid or accrued, to key management personnel and their related companies, total compensation of $514,095 (2016 - $242,740), which comprised of $245,701 (2016 - $218,500) in consulting fees and $268,394 (2016 - $24,240) in share-based payments. Key management personnel includes current and former CEOs and CFOs of the Company. Included in share-based payments of $268,394 (2016 - $24,240) are guarantee fees of $217,142 (2016 - $nil) which were earned by officers and directors of the Company for guaranteeing the convertible note liabilities of the Company. These amounts are included in financing costs.

Included in accounts payable and accrued liabilities is $164,901 (June 30, 2016 - $87,986) due to officers and directors 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 $48,300 (2016 - $93,250) and $6,053 (2016 - $44,740) in bad debts recorded on the statement of comprehensive loss is from RA. As at June 30, 2017, $8,453 was owed from RA (2016 - $nil).

(figures in tables are expressed in Canadian dollars)

18. Related Party Transactions

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, 2017, the Company earned sales revenue from KWL of $117,300 (2016 - $78,075) and incurred expenses from KWL of $75,908 (2016 - $84,221). Included in accounts receivable as at June 30, 2017 is a balance owing from KWL of $1,449 (2016 - $100,525). The Company owed accounts payable of $18,657 (2016 - $159,462) to KWL as at June 30, 2017.

During the year ended June 30, 2017, the Company paid $nil (2016 - $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 note holder 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 the lease as at June 30, 2017 are as follows:

2018	$	83,217
2019		83,553
2020		87,579
2021		91,269
2022		83,664
	$	429,282

20. Income Taxes

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended June 30, 2017 and 2016.

		2017		**2016**
Loss before income tax for the year	$	(4,616,764)	$	(3,930,520)
Expected income tax (recovery)	$	(1,200,000)	$	(1,022,000)
Change in statutory, foreign tax rates and other		169,000		(433,000)
Permanent difference		217,000		738,000
Share issuance and financing costs		(28,000)		(74,000)
Recognition of previously unrecognized deferred tax assets		-		-
Deferred tax assets not recognized		842,000		931,000
Income tax expenses (recovery)	$	-	$	140,000

(figures in tables are expressed in Canadian dollars)

20. Income Taxes (cont'd…)

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

	2017	2016
Deferred tax assets:		
Debt with accretion	$ 25,000	$ 114,000
Share issuance and financing costs	268,000	113,000
Non-capital losses available for future periods	1,788,000	978,000
	2,081,000	1,205,000
Unrecognised deferred tax assets	(1,907,000)	(1,065,000)
	174,000	140,000
Deferred tax (liabilities):		
Intangible assets	(174,000)	-
Recognized on acquisition of a subsidiary	-	(140,000)
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:

	2017	2016	Expiry date range
Temporary Differences:			
Debt with accretion	97,000	440,000	No expiry
Non-capital losses available for future periods	6,330,000	3,273,000	
Canada	4,547,000	1,866,000	2033-2037
USA	1,783,000	1,407,000	2030-2037
Share issuance and financing costs	1,030,000	435,000	2020-2021

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

21. Financial Risk Management

Fair value of financial instruments
The Company classifies the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

As at June 30, 2017, the Company does not carry any financial instruments at fair value and believes that the carrying values of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, and convertible note approximate their fair values because of their nature and/or relatively short maturity dates or durations.

21. Financial Risk Management (cont'd…)

Classification of financial instruments
The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, and convertible note. The Company classifies its cash and accounts receivable, as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities, loans payable, and convertible note are classified as other financial liabilities, which are measured at amortized cost.

Financial and capital risk management
The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Discussions of risks associated with financial assets and liabilities are detailed below:

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, 2017 and 2016 the Company was not subject to significant market risk, except as noted below.

Foreign exchange risk

As at June 30, 2017 the Company had cash balances of $11,720 (Canadian dollar equivalent) (2016 - $28,851), accounts receivable of $210,174 (Canadian dollar equivalent) (2016 - $201,956), and accounts payable and accrued liabilities of $199,166 (Canadian dollar equivalent) (2016 - $48,970) denominated 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 $1,139,814 (2016 - $715,011) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a $73,000 (Canadian dollar equivalent) change in profit or 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, 2017 and 2016, the Company was subject to interest rate risk with respect to its loans payable, some of which bear interest at a fixed rate and others are non-interest bearing, and convertible note, which bear interest at a fixed rate.

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 $210,174 in accounts receivable, $13,620 has been outstanding for greater than 90 days; however, was collected subsequent to year-end. The Company's credit risk for accounts receivable is concentrated, as 41% of its accounts receivable owing is from three customers (2016 – 50% from 2 customers), with more than 10% owing from each individual customer.

21. Financial Risk Management (cont'd…)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and matching the maturity profile of financial assets to development, capital and operating needs. The Company's accounts payable are due within 30 to 60 days. The maturities of loans payable and convertible note are disclosed in notes 9 and 10, respectively. The Company has a working capital deficiency at June 30, 2017 and will need to raise further financing to meet its financial obligations.

22. Subsequent Events

The following subsequent events occurred from the date of the year ended June 30, 2017 to the date the consolidated financial statements were authorized for issuance by the Board of Directors on October 20, 2017:

(a) Issued 888,888 common shares and paid US $111,000 in partial settlement of the dissenting shareholder. Of the 888,888 common shares issued, 444,444 were issued to escrow with a portion to be released every three months until April 1, 2020.

(b) Completed the first tranche of a non-brokered private placement by issuing 2,055,000 common share units (each, a "Unit") at a price of $0.26 per unit for gross proceeds of $534,300. Each Unit was comprised of one common share and one common share purchase warrant, each warrant being exercisable at a price of $0.40 per share for a period of two years from issuance and are subject to accelerated expiration in the event that shares trade at a price greater than $0.75 per share for ten consecutive trading days.

In connection with the offering, the Company paid a cash commission of $42,744 and issued 164,400 non-transferrable unit finder's warrants. Each finder's warrant entitles the holder to purchase one finder's unit at a price of $0.33 per finder's unit for a two-year period from the closing date. Each finder's unit contains one common share and one common share purchase warrant, exercisable at $0.40 for a period of two years from the closing date.

(c) Settled loans in the aggregate amount of $679,046 by issuing 2,611,714 Units at a deemed price of $0.26 per Unit.

(d) Settled an aggregate amount of $291,022 in future royalty payments due to convertible debenture noteholders by issuing a total of 1,119,316 Units at a deemed price of $0.26.