

Consolidated Financial Statements of

CANHAUL INTERNATIONAL CORP.

Year ended June 30, 2014

(DRAFT)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canhaul International Corp.

We have audited the accompanying consolidated financial statements of Canhaul International Corp. which comprise the consolidated balance sheet as at June 30, 2014 and the consolidated statements of operations, deficit and cash flows for the year then ended, and notes comprising 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 Canadian accounting standards for private enterprises, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider 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 audit 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 consolidated financial position of Canhaul International Corp. as at June 30, 2014, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that there may be significant doubt about the Company's ability to continue to generate sufficient cash flow from operations to fund its debt obligations as they become due. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Chartered Accountants

September XX, 2014
(DRAFT)
Calgary, Canada

CANHAUL INTERNATIONAL CORP.


Consolidated Balance Sheet

June 30, 2014, with comparative information for 2013

	2014	2013
		(note 2(f))
Assets		
Current assets:		
Cash	\$ 19,725	\$ 81,701
Accounts receivable	898,373	834,137
Inventory (note 3)	162,008	220,328
Government sales tax receivable	—	58,707
Prepaid expenses	120,184	91,054
	1,220,290	1,285,926
Property and equipment (note 4)	35,581	42,289
Intangible assets (note 5)	130,091	260,182
	<u>\$1,365,962</u>	<u>\$ 1,588,396</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 894,739	\$ 670,567
Deferred revenue	38,132	11,985
Government sales tax payable	16,378	—
Current portion of due to shareholders (note 6)	603,638	289,695
Short-term debt (note 7)	—	647,685
Current portion of long-term debt (note 7)	322,566	—
	1,875,253	1,619,932
Due to shareholders (note 6)	—	223,476
Long-term debt (note 7)	223,624	—
Equity to be issued (note 8)	1,001	25,374
Shareholders' deficiency:		
Share capital (note 9)	9,277,050	8,684,992
Deficit	(10,010,966)	(8,965,378)
	(733,916)	(280,386)
Future operations (note 1)		
Subsequent events (notes 12(b) and 15)		
Commitments (note 12)		
	<u>\$ 1,365,962</u>	<u>\$ 1,588,396</u>

See accompanying notes to consolidated financial statements.

Approved by the Board:



Director

CANHAUL INTERNATIONAL CORP.

Consolidated Statement of Operations

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
		(note 2(f))
Revenue:		
Hardware sales	\$ 1,773,175	\$ 1,664,564
Airtime sales	3,005,665	1,908,091
Software development	86,536	43,012
Consulting and other revenue	16,512	56,117
	4,881,888	3,671,785
Cost of sales:		
Hardware purchases	1,162,217	1,119,391
Airtime purchases	1,071,440	746,663
Freight in and duty	38,557	44,565
	2,272,214	1,910,619
Gross Margin	2,609,674	1,761,165
Expenses:		
General and administrative	1,064,268	999,904
Wages and benefits	1,168,806	916,184
Sub-contracts	127,166	157,363
Research and development	594,956	825,032
Stock-based compensation expense	287,999	47,182
	3,243,195	2,945,665
Loss before undernoted items	(633,521)	(1,184,500)
Amortization:		
Amortization of intangible asset	130,091	130,091
Amortization on property and equipment	7,022	8,231
	137,113	138,322
Interest expense:		
Interest on notes and loans	267,029	294,150
Interest and bank charges	7,925	3,702
	274,954	297,852
Net loss	\$ (1,045,588)	\$ (1,620,673)

See accompanying notes to consolidated financial statements.

CANHAUL INTERNATIONAL CORP.

Consolidated Statement of Deficit

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
		(note 2(f))
Deficit, beginning of year	\$(8,965,378)	\$(7,344,705)
Net loss	(1,045,588)	(1,620,673)
Deficit, end of year	\$(10,010,966)	\$(8,965,378)

See accompanying notes to consolidated financial statements.

CANHAUL INTERNATIONAL CORP.

Consolidated Statement of Cash Flows

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Net loss	\$(1,045,588)	\$ (1,620,673)
Items not involving cash:		
Amortization	137,113	138,322
Stock-based compensation expense	287,999	77,583
	<u>(620,476)</u>	<u>(1,404,768)</u>
Change in non-cash operating working capital:		
Accounts receivable	(64,236)	49,822
Inventory	58,320	92,842
Government sale taxes receivable	75,085	(59)
Prepaid expenses	(29,130)	(29,478)
Accounts payable and accrued liabilities	221,674	(247,858)
Deferred revenue	26,147	(15,419)
	<u>(332,616)</u>	<u>(1,554,918)</u>
Financing:		
Proceeds from shareholders loans	150,000	749,654
Repayments on shareholders loans	(35,671)	(341,944)
Common shares issued for cash	290,279	995,634
Proceeds from related party loan facility	545,990	350,000
Repayments on long-term debt	—	(200,000)
Repayments on short-term debt	(648,877)	(2,626)
Equity to be issued	(24,373)	613
	<u>277,348</u>	<u>1,551,331</u>
Investing:		
Purchase of property and equipment	(6,708)	(2,250)
Proceeds on disposal of property and equipment	—	—
Proceeds from redemption of short-term investment	—	—
	<u>(6,708)</u>	<u>(5,837)</u>
Decrease in cash	<u>(61,976)</u>	<u>(5,837)</u>
Cash (bank indebtedness), beginning of year	81,701	87,538
Cash, end of year	<u>\$ 19,725</u>	<u>\$ 81,701</u>

See accompanying notes to consolidated financial statements.

CANHAUL INTERNATIONAL CORP.

Notes to Consolidated Financial Statements

Year ended June 30, 2014, with comparative information for 2013

Canhaul International Corp. (the "Company") is a technology Company that specializes in developing, marketing and delivering an advanced location based solution called Trakopolis. This asset tracking platform is delivered as a service and provides companies with crucial visibility to their mobile and remote assets worldwide through GPS devices and the internet. The Company was incorporated under the Alberta Business Corporations Act in December 2002.

1. Future operations:

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As of June 30, 2014, the Company had an accumulated deficit of \$10,010,966. During the year, the Company incurred a loss of \$1,045,588. In order to continue as a going concern, the Company must generate sufficient income and cash flow to repay its obligations, finance working capital and fund capital investments. The future of the Company is dependent on its ability to attain profitable operations and generate sufficient funds from those operations, to receive continued support from its shareholders and to obtain new financing. There is no certainty that the Company will raise these necessary funds from financings or operations. As a result of these factors, there may be significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

These consolidated financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary CAN Telematics Inc. Inter-Company accounts and transactions have been eliminated on consolidation.

(b) Inventory:

Inventory consists of tracking unit hardware and is valued at the lower of cost and net realizable value with the cost being determined on a weighted average basis.

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Notes to Consolidated Financial Statements, page 2

Year ended June 30, 2014, with comparative information for 2013

2. Significant accounting policies (continued):

(c) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods.

Assets	Methods	Rate
Computer equipment	Declining balance method	30%
Furniture and equipment	Declining balance method	20%
Leasehold improvements	Straight-line method	2 years

(d) Impairment of long-lived assets:

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Warrants:

The Company accounts for equity instruments such as warrants, which are issued with and detachable from the financial liability, by measuring the equity components at \$nil.

(f) Research and Development

The Company has elected to expense all Research and Development expenses relating to the development of the Company's proprietary asset. In prior years, the Company had capitalized such expenses and; therefore, has retrospectively applied the adjustment in accordance with the required treatment for changes in accounting policy under Canadian accounting standards for private enterprises. The changes resulted in an increase in opening deficit for 2013 of \$2,911,956 and an increase in 2013 net loss of \$380,530.

CANHAUL INTERNATIONAL CORP.

Notes to Consolidated Financial Statements, page 3

Year ended June 30, 2014, with comparative information for 2013

2. Significant accounting policies (continued):

(g) Stock-based compensation and other stock-based payments:

Equity instruments awarded to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments. When the Company acquires goods or services in exchange for equity instruments with non-employees, the Company measures the transaction based on the fair value of the goods or services received or the fair value of the equity instruments, or liabilities incurred, whichever is more reliably measureable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

(h) Income taxes:

The Company uses the income taxes payable method of accounting for income taxes whereby the income tax expense of the period consists only of the cost of current income taxes for that period, determined in accordance with the rules established by Canadian taxation authorities.

(i) Revenue recognition:

Revenue arrangements with multiple deliverables are divided into separate units of accounting if each deliverable has a value to the customer on a stand-alone basis and any undelivered item has objective and reliable evidence of its fair value.

The Company recognizes revenue when services have been provided or products have been delivered, there is clear evidence that an arrangement exists, the amounts are fixed or can be determined, and the collection is reasonably assured. The Company recognizes revenue from hardware sales when the products are shipped. Revenue from airtime sales is recognized in the period that the service has been provided to the customer. Software development and consulting revenue are recognized as work is performed. Payments received in advance of the services provided under the Company's revenue recognition policies are recorded as deferred revenue.

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Notes to Consolidated Financial Statements, page 4

Year ended June 30, 2014, with comparative information for 2013

2. Significant accounting policies (continued):

(j) Government assistance:

Government assistance is recorded as either a reduction in the cost of the applicable assets or as a credit in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company or the nature of the expenditures which give rise to the credit. Government assistance is recorded when the receipt is reasonably assured. During the year, the Company received Scientific Research and Experimental Development ("SRED") investment tax credits from prior years of \$412,083 (2013 - \$512,243) recorded as a reduction in Research & Development expense.

(k) Foreign currency:

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are subsequently adjusted to reflect the exchange rates in effect at the balance sheet date. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at historical exchange rates. Foreign exchange gains and losses are included in the determination of net loss for the year.

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

The significant estimates requiring the use of management estimates relate to the collectability of accounts receivable, the net realizable value of inventory, the estimated useful life of property and equipment for amortization purposes and the evaluation of their net recoverable amount and the net recoverable amount of intangible assets. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements, page 5

Year ended June 30, 2014, with comparative information for 2013

2. Significant accounting policies (continued):

(m) Financial instruments:

(i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the period incurred.

When the Company issues a financial instrument that contains both a liability and an equity element, it allocates the entire proceeds to the liability component.

(ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net income in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

(iii) Impairment:

At year-end, the Company assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Company determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying value of the asset is reduced to the highest of:

- (a) The present value of expected cash flows
- (b) The amount that could be realized by selling the asset, and
- (c) The amount that could be realized by exercising its right to any collateral held as security

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed.

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Notes to Consolidated Financial Statements, page 6

Year ended June 30, 2014, with comparative information for 2013

2. Significant accounting policies (continued):

(n) Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. Inventory:

Inventory consists of tracking unit hardware and the amount of inventory charged to cost of goods sold for the year ended June 30, 2014 was \$1,162,217 (2013 - \$1,119,391). Write-down of inventory charged to cost of goods sold during 2014 was \$nil (2013 - \$nil).

4. Property and equipment:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 35,353	\$ 27,677	\$ 7,676	\$ 12,825
Furniture and equipment	28,619	1,814	26,805	27,264
Leasehold improvements	7,083	5,983	1,100	2,200
	\$ 71,055	\$ 35,474	\$ 35,581	\$ 42,289

5. Intangible assets:

	2014	2013
Development software – cost	\$ 910,636	\$ 910,636
Accumulated amortization	(780,545)	(650,454)
	\$ 130,091	\$ 260,182

CANHAUL INTERNATIONAL CORP.

Notes to Consolidated Financial Statements, page 7

Year ended June 30, 2014, with comparative information for 2013

6. Due to shareholders:

	2014	2013
14% \$100,000 promissory note, originally due on August 31, 2012 and refinanced at a principal of \$85,367 on March 1, 2013 repayable in monthly instalments of \$7,665 of principal and interest. Issued with this note are 30,000 warrants, which are exercisable at the option of the holder into Class B common shares at a price of \$1.50 per share expiring on June 30, 2014. \$ 58,221 was settled in cash.	–	\$ 58,221
24% (2012 - 12%) \$100,000 promissory note, due on September 30, 2014.	100,000	107,500
36% \$100,000 promissory note, due on December 31, 2014	50,000	50,000
20% \$75,000 promissory note, due on September 30, 2014.	75,000	75,000
20% \$300,000 promissory note, due on May 1, 2015. Issued with this note were 50,000 warrants, which are exercisable at the option of the holder into Class B common shares at a price of \$1.50 per share expiring on December 31, 2014. Principal outstanding in the amounts of \$75,000 on September 30, 2012 and \$75,000 on May 31, 2013 were converted to Class B common shares at \$1.50 per share, and the promissory note was shown net of a shareholder receivable from the same shareholder. During 2014, additional funds of 150,000 were provided against the promissory note and the shareholder receivable which was netted against the promissory note in 2013 was repaid.	300,000	123,476
14% \$100,000 promissory note, due on January 18, 2015. During 2013 the promissory note holder advanced an additional \$30,000 at 20%. Issued with this note are 30,000 warrants, which were exercisable at the option of the holder into Class B common shares at a price of \$1.50 per share expiring on June 30, 2014. Principal and interest is due when the promissory note matures.	130,000	130,000
Other amounts due from shareholders, net	(51,362)	(31,026)
	603,638	513,171
Less current portion	(603,638)	(289,695)
Long-term portion	\$ –	\$ 223,476

CANHAUL INTERNATIONAL CORP.

Notes to Consolidated Financial Statements, page 8

Year ended June 30, 2014, with comparative information for 2013

7. Notes payable:

	2014	2013
Short-term debt		
<p>The Company had demand financing agreement that permitted the Company to borrow up to the accounts receivable outstanding subject to adjustments under the agreement, upon approval by the financing provider. In 2013, the financing arrangement bore a fee of 1.75% for the initial amount drawn. The outstanding amount drawn bore interest of 0.61% per day. As pledged accounts receivable balances were collected the full, amount was repaid to the lender with 20% of the balance being available to the Company to increase the loan in the future as a reserve. Proceeds were received under the agreement as specific accounts receivable balances are pledged. Security under the financing agreement included a general security agreement on all assets of the Company and a portion of accounts receivable. The Company repaid the entire loan balance in fiscal 2014 and obtained the release of all security interests under the loan agreement.</p>	–	440,624
<p>The Company had a demand loan agreement that permitted the Company to borrow up to \$200,000 provided the amount did not exceed 75% of the estimated SRED refund claimed on the Company's corporate tax returns. In 2013, the loan agreement bore an interest of 1.75% per month, compounded monthly. Security under the loan agreement was a security interest on all assets of the Company and a priority charge.</p>	–	207,061
Short-term debt	\$ –	\$ 647,685

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Notes to Consolidated Financial Statements, page 9

Year ended June 30, 2014, with comparative information for 2013

7. Notes payable (continued):

	2014	2013
Related Party Loan Facility		
<p>The Company entered into a loan facility with Ninjanuity Capital, a Company controlled by the CEO and CFO of the Company. The facility provides up to \$1 Million in financing and each loan facility is treated as a separate loan with separate interest rates. Some of the loan terms under this facility require both principal and interest repayment and some require interest repayment only. The balance of the loans (principal and interest) outstanding at any point in time is fully convertible at the Fair Market Value of Class B Common shares in CANHaul International Corp. The Company has elected to measure the equity component of the convertible debt at nil and allocate the entire cost to debt. The principal balance owing on the facility has been appropriately classified as current or long-term based on the payment terms for each loan.</p>		
Current portion of long-term debt	322,366	—
Long-term debt	223,623	—
Long-term debt	\$ 545,589	\$ —

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Notes to Consolidated Financial Statements, page 10

Year ended June 30, 2014, with comparative information for 2013

8. Equity to be issued:

The Company received deposits from its investors for the purchase of shares and as of June 30, 2014 \$1,001 of equity to be issued remained.

9. Share capital:

(a) Authorized:

Unlimited Classes A, B, C, D, E and F common shares
Unlimited Class G non-cumulative redeemable preferred shares
Unlimited Class H cumulative redeemable preferred shares
Unlimited Classes I and J non-cumulative redeemable preferred shares
Unlimited Class K voting preferred shares
Unlimited Class L non-voting preferred shares

(b) Issued:

	2014	2013
2,346,332 Class A common shares	\$ 1,999,958	\$ 1,892,459
5,794,748 Class B common shares	7,277,092	6,792,533
	<u>\$ 9,277,050</u>	<u>\$ 8,684,992</u>

	2014		2013	
	Shares	Amount	Shares	Amount
Class A:				
Shares outstanding at the beginning of the year	2,274,666	\$1,892,459	2,183,000	\$ 1,844,360
Issued for cash	71,666	717	91,666	917
Fair value of \$0.01 shares issued	–	106,782	–	136,582
Share issue costs	–	–	–	(89,400)
Shares outstanding at the end of year	<u>2,346,332</u>	<u>\$1,999,958</u>	<u>2,274,666</u>	<u>\$ 1,892,459</u>

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Notes to Consolidated Financial Statements, page 11

Year ended June 30, 2014, with comparative information for 2013

10. Share capital (continued):

(b) Issued (continued):

	2014		2013	
	Shares	Amount	Shares	Amount
Class B:				
Shares outstanding at the beginning of the year	5,351,972	\$ 6,792,533	4,046,105	\$ 4,833,732
Issued for cash	213,279	290,279	673,146	1,009,717
Prior year deposits on equity to be issued		25,374		
Issued on conversion of debt (notes 7 and 8)			612,454	918,683
Issued for wages	120,000	180,000	20,267	30,401
Issued for cash on exercise of warrants			—	—
Issued for finder fees	110,000	165,000	—	—
Share issue costs		(176,359)	—	—
Shares outstanding at the end of year	5,795,251	\$ 7,277,092	5,351,972	\$ 6,792,533

During 2014, 71,666 (2013 - 91,666) Class A shares were issued from treasury for cash at \$0.01 per share. The fair value was determined to be \$1.50 per share at the date of the issuance of the shares resulting in \$107,499 (2013 - \$136,582) recorded as stock-based compensation expense. The Company also issued 120,000 Class B Shares for wages relating to corporate services, investor relations and Board of Director services to former Board members and senior advisors to the Company. The share issue was expensed as stock based compensation at \$1.50 per common share.

During 2014, 110,000 Class B Shares were issued from treasury for finder's fees relating to capital investment in prior years. The shares were determined at a value of \$1.50 per share and recorded as a share issue cost of \$165,000. The Company also issued a return on capital to Class B Shareholders in 2014 for \$11,359.

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Notes to Consolidated Financial Statements, page 12

Year ended June 30, 2014, with comparative information for 2013

10. Share capital (continued):

(c) Warrants:

During the year, 190,000 warrants expired unexercised. At June 30, 2014, 100,000 warrants to purchase Class A common shares at \$1.50 per share were outstanding. These warrants expire on September 1, 2015.

11. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 25% (2013 – 25.00%) to net loss before income taxes. The reasons for the differences and related income tax effects are as follows:

	2014	2013
Expected income tax recovery	\$ (261,397)	\$ (310,036)
Non-deductible items and other	180,355	10,997
SRED claim	1,274	(65,905)
Tax effect of amortization charged for accounting purposes greater than capital cost allowance	32,754	135,353
Tax effect of tax losses carried forward	47,014	229,591
	\$ –	\$ –

As at June 30, 2014, the amount of unused non-capital income tax losses available for carry forward to reduce taxable income earned in the future is \$3,756,026 (2013 - \$3,567,971) and will commence expiry in 2027.

CANHAUL INTERNATIONAL CORP.

Notes to Consolidated Financial Statements, page 13

Year ended June 30, 2014, with comparative information for 2013

12. Commitments:

The Company has the following annual commitments under office and equipment operating lease agreements:

2015	\$ 414,600
2016	410,895
2017	405,708
2018	405,708
	<hr/>
	\$ 1,636,911

(b) Subsequent to year-end, the Company exited its previously leased office space and entered a lease agreement a new premises. While it is expected that the previous office space will be subleased, there will be a portion of the associated lease costs that will continue to be paid by the Company. Estimated annual commitments under the new lease agreement are \$352,058.

13. Financial instruments:

(a) Credit risk:

Credit risk reflects the risk the Company may be unable to recover accounts receivable. The Company employs established credit approval and monitoring practices to mitigate the risk.

(b) Currency risk:

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Interest rate risk:

The Company manages its exposure to interest rate risk through fixed and floating rate borrowings.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. The Company is exposed to this risk mainly in respect of its debt (note 1).

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Year ended June 30, 2014, with comparative information for 2013

14. Related party transactions:

During 2014, the Company entered into multiple loan facilities with a Company controlled by the CEO and CFO of the Company. The total maximum available under all facilities is \$1 million dollars and draws on the facilities bear interest from 12% to 22% per annum with principal and interest payments due monthly. Terms of repayment vary for each facility, with repayment due dates ranging from 12-36 months. To the date of the financial statements, \$545,589 has been drawn by the Company under these facilities (note 7).

15. Subsequent events:

Subsequent to June 30, 2014, the Company entered into a debt facility with Espresso Capital Partners. The facility provides up to \$2 million over a 24 month period and is fully secured by general security agreement. The incurred interest rate is 1.4% per month or 16.80% per annum. In relation to this facility, the Company has issued 266,666 warrants at an exercise price of \$1.50, expiring on August 22, 2020. Certain terms and conditions regarding the Company's recurring revenue and accrued SRED tax rebate determine the available funds over the 24 month period. The Company has currently drawn \$955,450 under this facility.

The Company has authorized a private equity placement of units to a maximum of 17,333 units. Each unit will consist of one common share and one common share purchase warrant. The unit is priced at \$1.50 with the warrant having an exercise price of \$2. Exercise date is the earlier of August 31, 2016 or the occurrence of a liquidity event.