



CARL DATA SOLUTIONS INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018**

(UNAUDITED)
(Expressed in Canadian Dollars)

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**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited Condensed consolidated interim financial statements of CARL Data Solutions Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited Condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor, Wolrige Mahon Collins Barrow LLP, has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
AS AT

(Expressed in Canadian dollars)

	SEPTEMBER 30, 2018	JUNE 30, 2018
ASSETS		
Current Assets		
Cash	\$ 93,451	\$ 247,795
Accounts and other receivables (note 9)	249,634	432,408
Digital currencies (note 10)	9,006	8,244
Prepaid expenses	441,140	434,767
	793,231	1,123,214
Non-Current Assets		
Intangible assets (notes 7, 8 and 12)	2,226,874	2,442,044
Property and equipment (notes 7,8 and 11)	647,715	701,571
Goodwill	118,775	118,775
Total Assets	\$ 3,786,595	\$ 4,385,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 13)	\$ 541,729	\$ 373,015
Loans payable (note 14)	734,000	604,000
	1,275,729	977,015
Convertible note (note 15)	10,000	10,000
Total Liabilities	1,285,729	987,015
Shareholders' Equity (note 16)		
Share capital	15,584,326	15,638,336
Reserves	1,312,338	1,293,509
Equity conversion feature on convertible note (note 15)	1,477	1,477
Commitment to issue shares (notes 8 and 14)	192,110	113,211
Accumulated other comprehensive income	29,865	41,663
Deficit	(14,619,250)	(13,689,607)
	2,500,866	3,398,589
Total Liabilities and Shareholders' Equity	\$ 3,786,595	\$ 4,385,604

Nature of Operations and Going Concern (note 1)

Commitments (note 22)

Subsequent Events (note 25)

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 27, 2018

“Kevin Ma”

Director

“Chris Johnston”

Director

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

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30,

(Expressed in Canadian dollars)

	2018	2017
Revenue		
Data services	\$ 248,002	\$ 229,382
Data hosting	189,000	-
Digital currency verification services (note 10)	4,379	-
Custom programming service contracts	931	108,997
Social referral software	24,150	24,150
	466,462	362,529
Expenses		
Accretion of convertible note (note 14)	-	14,732
Amortization (note 12)	209,040	63,227
Bad debts (notes 9 and 23)	4,655	-
Computer hosting costs	74,708	66,112
Consulting	307,359	276,400
Depreciation (note 11)	53,856	-
Energy costs	100,651	-
Filing and transfer agent	2,743	3,476
Foreign exchange loss	953	13,442
Interest and penalties (notes 14 and 15)	32,436	35,475
Investor relations	22,458	274,999
Marketing	17,235	11,430
Occupancy	48,051	49,335
Office and miscellaneous	60,016	34,345
Professional	65,539	67,041
Share-based payments (note 18)	18,829	46,052
Salaries and wages	307,210	252,284
Travel	38,536	30,897
	1,364,275	1,239,247
Operating loss	(897,813)	(876,718)
Other items		
Financing costs (notes 14 and 15)	(30,000)	(292,028)
Loss on settlement of debt (note 16)	-	(103,918)
Revaluation of digital currencies	(1,830)	-
Loss for the period	(929,643)	(1,272,664)
Other comprehensive loss		
Foreign exchange loss on translation of subsidiary	(11,798)	(14,393)
Comprehensive Loss for the period	(941,441)	(1,287,057)
Weighted Average Number of Common Shares Outstanding		
Basic and Diluted	75,759,052	41,875,030
Loss Per Share		
Basic and Diluted	\$ (0.01)	\$ (0.03)

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

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30,

(Expressed in Canadian dollars)

	2018	2017
Cash Flows used in Operating Activities		
Net loss for the period	\$ (929,643)	\$ (1,272,664)
Non-cash items		
Amortization	209,040	63,227
Accrued interest expense	30,000	20,268
Accretion expense	-	14,732
Depreciation	53,856	-
Digital currency verification services	(4,379)	-
Share-based payments	18,829	46,052
Loss on settlement of debt	-	103,918
Revaluation of digital currencies	1,830	-
Accrued commitment to issue shares	78,899	-
Shares issued for financing costs	-	291,022
Changes in non-cash working capital items:		
Accounts and other receivables	178,093	(131,129)
Prepaid expenses	(6,406)	1,879
Accounts payable and accrued liabilities	172,382	(282,986)
	(197,499)	(1,145,681)
Cash Flows provided by Financing Activities		
Proceeds from issuance of common shares	-	491,556
Repurchase of common shares	(54,010)	-
Proceeds from convertible note	-	-
Proceeds from subscriptions received in advance	-	232,964
Short-term loans	400,000	394,140
Repayment of short-term loans	(300,000)	-
	45,990	1,118,660
Effect of foreign exchange on cash	(2,835)	8,202
Change in cash during the period	(154,344)	(18,819)
Cash – beginning of period	247,795	40,606
Cash – end of period	\$ 93,451	\$ 21,787

Supplemental Information (see note 20)

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

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30,

	<u>Share Capital</u>		Reserves	Equity feature on convertible note	Subscriptions received in advance	Commitment to issue shares	Accumulated other comprehensive income (loss)	Deficit	Total
	Shares	Amount							
Balance – June 30, 2017	39,452,498	\$ 7,910,928	\$ 436,221	\$ 78,296	\$ -	\$ 317,333	\$ 16,407	\$ (8,981,089)	\$ (221,904)
Net comprehensive loss for the period	-	-	-	-	-	-	(14,393)	(1,272,664)	(1,287,057)
Shares issued for:									
Cash (note 16)	2,055,000	534,300	-	-	-	-	-	-	534,300
Settlement of dissenter contingency (note 16)	888,888	275,555	-	-	-	(302,222)	-	-	(26,667)
Debt settlement (note 16)	3,731,030	1,100,654	-	-	-	-	-	-	1,100,654
Share issuance costs – cash (note 16)	-	(68,344)	-	-	-	-	-	-	(68,344)
Share issuance costs – warrants (note 16)	-	(21,169)	21,169	-	-	-	-	-	-
Share-based payments (note 18)	-	-	46,052	-	-	-	-	-	46,052
Subscriptions received in advance	-	-	-	-	232,964	-	-	-	232,964
Balance – September 30, 2017	46,127,416	9,731,924	503,442	78,296	232,964	15,111	2,014	(10,253,753)	309,998
Net comprehensive loss for the period	-	-	-	-	-	-	39,649	(3,435,854)	(3,396,205)
Shares issued for:									
Acquisition of Astra (notes 8 and 16)	9,300,000	1,348,500	-	-	-	-	-	-	1,348,500
Cash (note 16)	19,148,076	4,978,499	-	-	(232,964)	-	-	-	4,745,535
Exercise of options	272,727	47,236	(17,236)	-	-	-	-	-	30,000
Settlement of dissenter contingency (note 16)	44,444	18,444	-	-	-	(15,111)	-	-	3,333
Acquisition of assets (notes 7 and 16)	400,000	194,000	-	-	-	-	-	-	194,000
Debt settlement (note 16)	507,666	124,776	-	-	-	-	-	-	124,776
Share issuance costs – cash (note 16)	-	(475,305)	-	-	-	-	-	-	(475,305)
Share issuance costs – warrants (notes 16 and 17)	-	(4,933)	4,933	-	-	-	-	-	-
Share issuance costs – options (note 16)	-	(338,305)	338,305	-	-	-	-	-	-
Accrued commitment to issue shares (note 7)	-	-	-	-	-	113,211	-	-	113,211
Share-based payments (note 17)	75,000	13,500	349,730	-	-	-	-	-	363,230
Settlement of convertible note (note 15)	-	-	76,819	(76,819)	-	-	-	-	-
Warrants issued for convertible note (note 15)	-	-	37,516	-	-	-	-	-	37,516
Balance – June 30, 2018	75,875,329	15,638,336	1,293,509	1,477	-	113,211	41,663	(13,689,607)	3,398,589
Net comprehensive loss for the period	-	-	-	-	-	-	(11,798)	(929,643)	(941,441)
Shares repurchased (note 16)	(184,440)	(54,010)	-	-	-	-	-	-	(54,010)
Accrued commitment to issue shares (notes 7 and 14)	-	-	-	-	-	78,899	-	-	78,899
Share-based payments (note 18)	-	-	18,829	-	-	-	-	-	18,829
Balance – September 30, 2018	75,690,889	\$ 15,584,326	\$ 1,312,338	\$ 1,477	\$ -	\$ 192,110	\$ 29,865	\$ (14,619,250)	\$ 2,500,866

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

CARL DATA SOLUTIONS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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

1. Description of Business and Nature of Operations

CARL Data Solutions Inc. (“**CARL**” or the “**Company**”) was incorporated under the Business Corporations Act (British Columbia) on January 17, 2014. CARL is a developer of Big-Data-as-a-Service (“**BDaaS**”)–based solutions, providing the next generation data collection, storage and analytic solutions for data-centric companies.

CARL is a public company that is listed on the Canadian Securities Exchange (“**CSE**”) (under the symbol: CRL), the 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. The Company’s consolidated financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
Extend to Social Media Inc. (“ ETS ”)	British Columbia	100%
FlowWorks Inc. (“ FlowWorks ”)	Washington, USA	100%
Carl Data Solutions PL (“ Carl PL ”)	Poland	100%
Astra Smart Systems Inc. (“ Astra ”)	British Columbia	100%

These condensed consolidated interim 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 interim financial statements. These condensed consolidated interim 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 September 30, 2018, the Company had not achieved profitable operations, had accumulated a deficit of \$14,619,250 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, potentially find, acquire and develop various other business segments with growth potential, its ability to obtain the necessary financing to carry out this strategy, and to meet its corporate overhead needs and discharge its liabilities as they come due. 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

Statement of Compliance

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments 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.

Significant accounting judgments, estimates, and assumptions

The preparation of these condensed consolidated interim 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 revenues and expenses during the period. Actual results could differ from these estimates.

CARL DATA SOLUTIONS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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

2. Basis of Preparation (cont'd...)

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.

Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of CARL and its controlled and wholly-owned subsidiaries ETS, FlowWorks, Astra, and Carl PL. ETS, FlowWorks, and Carl PL 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. Astra historically maintained a fiscal year-end of July 31, which was changed post acquisition to June 30 to match the Company's year-end. 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.

3. Significant Accounting Policies

Except for the adoption of IFRS 15 and IFRS 9, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended June 30, 2018 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

New standards and interpretations adopted

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

The Company has adopted IFRS 9 retrospectively as of July 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9 do not have a material impact on the Company's consolidated financial statements.

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the guidance in IAS 39, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- Financial assets measured at amortized cost; or
- Financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortized cost, these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company's financial assets previously carried as loans and receivables are now classified as amortized cost without material impact to carrying values.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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

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

New standards and interpretations (cont'd...)

IFRS 9 Financial Instruments (cont'd...)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. Using the simplified approach for trade receivables, the Company will measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses on trade and other receivables are presented as bad debts expense in the statement of loss and comprehensive loss, similar to the presentation under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements as at July 1, 2018 does not result in any additional impairment allowances.

IFRS 15 Revenue from Contractors with Customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

The Company has adopted the modified retrospective approach which allows the cumulative impact of the adoption to be recognized in retained earnings as of July 1, 2018 and that the comparative figures will not be restated. Changes in accounting policies resulting from the adoption of IFRS 15 do not have a material impact on the Company's consolidated financial statements.

Revenue recognition

The Company earns revenue from the provision of digital currency verification services and in its subsidiaries, FlowWorks, ETS, and Astra through the performance of services revenue and data center hosting.

i. Services revenue

Services revenue includes custom programming service contracts, data services through software subscription revenue, and the supply of social referral software to clients. Services 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. Services revenue is recognized as the Company satisfies its performance obligation over time.

ii. Data center hosting

Revenue from data center hosting at the fair value of the consideration received or receivable for services, net of discounts and sales taxes and is recognized as the Company satisfies its performance obligation over time.

CARL DATA SOLUTIONS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
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(figures in tables are expressed in Canadian dollars, except per share amounts)

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

New standards and interpretations (cont'd...)

IFRS 15 Revenue from Contractors with Customers (cont'd...)

iii. Digital currency verification services

The Company provides transaction verification services within digital currency networks, for which it receives digital currency from each specific network as consideration. Revenue is measured based on the fair value of the coins received. The fair value is determined using the closing spot price of the coin on the date of receipt, based on prices available on www.cryptocompare.com. The coins are recorded on the statement of financial position, as digital currencies, at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss in accordance with the Company's treatment of its digital currencies as a traded commodity.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgment in determining the appropriate accounting treatment for the recognition of revenue for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received.

Accounting Standards and Amendments Issued but Not Yet Adopted

IFRS 16 Leases

IFRS 16 replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the application of this standard.

4. Significant Accounting Judgments and Estimates

Critical accounting judgments

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, ETS, and Astra is the Canadian dollar. The functional currency of FlowWorks is the US dollar and the functional currency of Carl PL is the Polish Zloty.

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 in the statement of comprehensive loss in the period the new information becomes available.

The Company has exercised judgment in quantifying the allowance for doubtful accounts receivable. While it is possible that certain accounts receivable considered good may turn doubtful at a later date, there are no indicators that they would at the present time.

CARL DATA SOLUTIONS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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

4. Significant Accounting Judgments and Estimates

Critical accounting estimates

The Company has made estimates with respect to the acquisition date fair values of the identifiable assets and liabilities of Carl PL (note 6), AB Embedded (note 7) and Astra (note 8). 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 dates.

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 our 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.

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 connections with the dissenter's rights. The Company agreed to a settlement with the dissenter by paying US \$111,000 and issuing 933,332 common shares during the year ended June 30, 2018 (note 16).

6. Acquisition of Carl PL

On March 16, 2018, the Company acquired 100% of the outstanding shares of Carl PL pursuant to a share sale agreement between CARL and Carl PL's shareholders. CARL acquired 100% of the outstanding shares of Carl PL by paying \$2,000.

Prior to the acquisition, Carl PL provided consulting services to the Company and has been involved in the development of an anomaly detection application for CARL's customers using the ETS NoSQL data collection and storage platform. The acquisition of the outstanding shares constitutes a business combination and the purchase price has been allocated as follows:

Purchase price consideration	
Cash	\$ 2,000
Assets acquired and liabilities assumed	
Cash	\$ 2,109
Accounts payable	(109)
	\$ 2,000

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(figures in tables are expressed in Canadian dollars, except per share amounts)

7. Acquisition of AB Embedded Assets

On November 30, 2017, the Company completed the acquisition of substantially all of the assets of AB Embedded, an unrelated third party. The acquired combination of hardware designs, development tools and source code provide the Company with the opportunity to provide custom control systems developed in-house, offering synergies with the Company's existing BDaaS solutions.

In exchange for AB Embedded's assets, the Company issued 400,000 common shares valued at \$194,000 (note 16) Concurrent with the acquisition, the Company entered into an independent contractor agreement with AB Embedded, whereby AB Embedded will provide services to the Company for an indefinite term. The Company will issue an additional 400,000 common shares one year from closing, provided neither party has terminated the independent contractor agreement. As at September 30, 2018, the Company has accrued a commitment to issue shares of \$162,110 (June 30, 2018 - \$113,211) and recognized \$48,899 as consulting fees relating to the portion of the commitment vested during the period then-ended. The acquisition of assets constitutes a business combination and the purchase price has been allocated as follows:

Purchase price consideration	
Value of 400,000 common shares issued at \$0.485	\$ 194,000
Assets acquired	
Property and equipment	\$ 114,500
Electrical systems certification	23,500
Control system source code	56,000
	\$ 194,000

The property and equipment acquired comprise hardware and manufacturing equipment for the development of custom devices, computer equipment, and office furniture and has been recognized at fair value on the date of acquisition. The control system source code relates to various pieces of source code for the development of the custom control systems and will be amortized over a 3-year term (note 12). The Company also acquired AB Embedded's global production electrical systems certification, which will also be amortized over a 3-year term (note 12).

8. Acquisition of Astra

On June 18, 2018, the Company completed the acquisition of Astra pursuant to the terms of a securities exchange agreement between CARL, Astra and the shareholders of Astra. CARL acquired 100% of the outstanding common shares of Astra in exchange for 9,300,000 common shares of the Company issued to three shareholders of Astra (note 16) and agreeing to repay Astra's existing loans by making payments of \$300,000 on July 18, 2018 (paid) and \$300,000 on December 18, 2018.

This acquisition is consistent with the Company's corporate growth strategy to build and acquire applications that assist in the collection, storage and analysis of large volumes of information for data centric companies. Astra is a technology company with multiple potential revenue streams including data center hosting, big data analytical services, and the manufacture of Industrial Internet of Things ("IIoT") devices.

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(UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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

8. Acquisition of Astra (cont'd...)

Purchase price consideration	
Value of 9,300,000 common shares issued at \$0.145	\$ 1,348,500
Assets acquired	
Cash	\$ 60
Accounts receivable	21,216
Prepaid expenses	158,231
Property and equipment	390,342
Augmented business intelligence software	540,697
Environmental sensor firmware	181,133
Preferential lease	1,079,994
Accounts payable	(40,527)
Loans payable	(600,000)
Deferred income tax liabilities	(465,000)
Goodwill on acquisition	82,354
	\$ 1,348,500

Accounts receivable acquired with Astra are goods and services tax (“GST”) receivables 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 property and equipment acquired comprise production and manufacturing equipment for the development of IIoT devices and infrastructure for data center hosting all located in Trail, British Columbia and has been recognized at fair value on the date of acquisition. The environmental sensor firmware relates to various pieces of firmware source code for environmental monitoring devices and will be amortized over a 3-year term (note 12). The augmented business intelligence software acquired is used for the Company’s big data analytical service contracts and is amortized over a 3-year term (note 12). The preferential lease acquired relates to a discount on data hosting, office, and manufacturing space along with access and rights to significant volumes of power required for data hosting and is amortized over a 4-year term (note 12).

Loans payable include \$600,000 (note 14) to Astra’s former shareholders and their related organizations, of which \$300,000 was paid on July 18, 2018 and \$300,000 becomes due on December 18, 2018. Income tax consequences of the transaction included a deferred income tax liability of \$465,000, which together with the fair values of other assets and liabilities acquired resulted in the recognition of \$82,354 in goodwill that is not deductible for tax purposes.

The above purchase price allocation (“PPA”) calculations are preliminary and have not been finalized. Any future adjustments will be recorded prospectively as changes in estimates. Prior to acquisition, Astra was a private company and financial information was impractical to obtain and verify.

9. Accounts and Other Receivables

	September 30, 2018	June 30, 2018
Gross trade accounts receivable	\$ 221,863	\$ 416,239
Less: allowance for doubtful accounts	(4,313)	(22,740)
Net trade accounts receivable	217,550	393,499
GST receivable	32,084	38,909
	\$ 249,634	\$ 432,408

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9. Accounts and Other Receivables

Reconciliation of allowance for doubtful accounts is as follows:

	September 30, 2018	June 30, 2018
Balance – beginning of period	\$ 22,740	\$ 6,512
Change in provision	-	16,359
Recovery	(18,427)	(131)
Balance – end of period	\$ 4,313	\$ 22,740

10. Digital Currencies

As at September 30, 2018, the Company's digital currencies consisted of the below digital currencies, with a fair value of \$9,006. Digital currencies are carried at their fair value determined using the closing spot price of the coin at the reporting date, based on prices available on www.cryptocompare.com. The Company's holdings of digital currencies consist of the following:

	September 30, 2018	June 30, 2018
BitCoin	\$ 5,597	\$ 4,717
Ethereum	1,687	1,554
Dash	1,722	1,973
	\$ 9,006	\$ 8,244

The continuity of digital currencies was as follows:

	September 30, 2018	June 30, 2018
Balance – beginning of the period	\$ 8,244	\$ -
Digital currency mined	4,379	10,587
Digital currency used in operations (note 20)	(1,787)	-
Revaluation adjustment	(1,830)	(2,343)
	\$ 9,006	\$ 8,244

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11. Property and Equipment

	Machinery and equipment	Computer equipment	Furniture and fixtures	Digital currency processors	Total
Cost					
Balance – June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Additions (notes 7 and 8)	102,790	10,506	391,546	250,000	754,842
Balance – June 30, 2018 and September 30, 2018	102,790	10,506	391,546	250,000	754,842
Accumulated Depreciation					
Balance – June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	17,911	1,831	2,707	30,822	53,271
Balance – June 30, 2018	17,911	1,831	2,707	30,822	53,271
Depreciation	6,366	651	19,442	27,397	53,856
Balance – September 30, 2018	24,277	2,482	22,149	58,219	107,127
Balance – June 30, 2018	\$ 84,879	\$ 8,675	\$ 388,839	\$ 219,178	\$ 701,571
Balance – September 30, 2018	\$ 78,513	\$ 8,024	\$ 369,397	\$ 191,781	\$ 647,715

Digital currency processors

On January 15, 2018, the Company entered into an agreement with Connected Fintech Inc. (“Connected”), whereby Connected agreed to develop and maintain a cryptocurrency mining facility comprising digital currency processors on the Company’s behalf. Under the terms of the agreement, the Company agreed to pay Connected:

- (a) \$250,000 (paid) plus the issuance of 500,000 common shares on the date of signing;
- (b) 500,000 common shares upon completion of development;
- (c) 500,000 common shares six months from the completion date; and
- (d) 500,000 common shares twelve months from the completion date.

The Company also agreed to pay Connected a royalty equal to 15% of monthly net revenues generated from the mining facility and a monthly retainer of \$4,000.

On May 29, 2018, the Company entered into an amended agreement with Connected Fintech removing the requirements to issue the aggregate 2,000,000 common shares and pay the monthly retainer of \$4,000.

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12. Intangible assets

	Software in Development	FlowWorks Software Application	FlowWorks Customer List	Electrical Systems Certification	Control System Source Code	Augmented Business Intelligence Software	Environmental Sensor Firmware	Preferential Lease	Total
Cost									
Balance – June 30 and 2017	\$ 287,600	\$ 387,634	\$ 659,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,334,388
Additions (notes 7 and 8)	-	-	-	23,500	56,000	540,697	181,133	1,079,994	1,881,324
Reallocation	(287,600)	287,600	-	-	-	-	-	-	-
Balance – June 30, 2018 and September 30, 2018	-	675,234	659,154	23,500	56,000	540,697	181,133	1,079,994	3,215,712
Accumulated Amortization									
Balance – June 30, 2017	\$ -	\$ 224,068	\$ 228,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 452,563
Amortization	-	174,654	129,290	4,569	10,889	7,509	-	11,249	338,160
Balance – June 30, 2018	-	398,722	357,785	4,569	10,889	7,509	-	11,249	790,723
Amortization	-	56,582	33,275	4,667	1,958	45,058	-	67,500	209,040
Balance – September 30, 2018	-	455,304	391,060	9,236	12,847	52,567	-	78,749	999,763
Cumulative Translation Adjustment									
Balance – June 30, 2017	\$ -	\$ 10,473	\$ 8,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,012
Foreign currency translation	-	(2,686)	729	-	-	-	-	-	(1,957)
Balance – June 30, 2018	-	7,787	9,268	-	-	-	-	-	17,055
Foreign currency translation	-	(537)	(5,593)	-	-	-	-	-	(6,130)
Balance – September 30, 2018	-	7,250	3,675	-	-	-	-	-	10,925
Balance – June 30, 2018	\$ -	\$ 284,299	\$ 310,637	\$ 18,931	\$ 45,111	\$ 533,188	\$ 181,133	\$ 1,068,745	\$ 2,442,044
Balance – September 30, 2018	\$ -	\$ 227,180	\$ 271,769	\$ 14,264	\$ 43,153	\$ 488,130	\$ 181,133	\$ 1,001,245	\$ 2,226,874

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12. Intangible assets

ETS Software in Development

A total of \$83,428 had 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. During the year ended June 30, 2018, the Company integrated the ETS software with the FlowWorks Software Application and accordingly has reallocated the amount and begun amortizing on a straight-line basis over 3 years.

FlowWorks Software Application

The software application relates to the web-based application acquired with FlowWorks. During the year ended June 30, 2018, the integration of the ETS Software in Development was completed and \$287,600 was reallocated to the FlowWorks Software Application.

FlowWorks 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 2.00 years remaining unamortized.

Electrical Systems Certification

The electrical systems certification comprise the fair value of AB Embedded's global production electrical systems certification acquired during the year ended June 30, 2018 (note 7). The asset is a finite life asset and will be amortized over a 3-year term, with approximately 2.25 years remaining unamortized.

Control System Source Code

The control system source code relates to the fair value of various pieces of source code for the development of the custom control systems acquired during the year ended June 30, 2018 (note 7). The asset is a finite life asset and will be amortized over a 3-year term, with approximately 2.25 years remaining unamortized.

Augmented Business Intelligence Software

The Augmented Business Intelligence Software relates to the fair value of the big data analytics software and code obtained on the acquisition of Astra during the year ended June 30, 2018 (note 8). The asset is a finite life asset and will be amortized over a 3-year term, with approximately 2.75 years remaining unamortized.

Environmental sensor firmware

The Augmented Business Intelligence Software relates to the fair value of the source code for the environmental sensor firmware obtained on the acquisition of Astra during the year ended June 30, 2018 (note 8). The asset is a finite life asset and will be amortized over a 3-year term, with approximately 3.0 years remaining unamortized.

Preferential Lease

The preferential lease relates to the fair value of a favourable sublease agreement obtained on the acquisition of Astra during the year ended June 30, 2018 (note 8). The agreement includes discounted office, data hosting, and manufacturing space in Astra's facility in Trail, BC along with guaranteed access to the significant volumes of power required for the operation of a data hosting facility at favourable rates. The asset is a finite life asset and will be amortized over a 4-year term, with approximately 3.75 years remaining unamortized.

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13. Accounts Payable and Accrued Liabilities

	September 30, 2018	June 30, 2018
Trade accounts payable	\$ 344,972	\$ 262,386
Due to related parties (note 21)	156,657	70,529
Accrued liabilities	40,100	40,100
	\$ 541,729	\$ 373,015

14. Loans Payable

	September 30, 2018	June 30, 2018
Balance – beginning of period	\$ 604,000	\$ 448,907
Advances of short-term loans	400,000	609,140
Interest and fees accrued	30,000	19,060
Repayments – cash	(300,000)	(394,060)
Assumed on acquisition of Astra (note 8)	-	600,000
Settlements – shares (note 16)	-	(679,047)
Balance – end of period	\$ 734,000	\$ 604,000

During the period ended September 30, 2018, the Company entered into a loan agreement with an arm's length party of \$300,000. In connection with the loan, the Company agreed to pay a transaction fee of \$15,000 and issue 214,285 common shares on maturity. An additional transaction fee is payable on the loan amount at the rate of \$15,000 for any and every part of 59 days that the loan is outstanding after the maturity. As at September 30, 2018, \$30,000 in transaction fees had been accrued to loans payable and \$30,000 relating to the 214,285 common shares issuable was included in commitment to issue shares. Subsequent to the period ended September 30, 2018, the Company issued the 214,285 common shares (note 25).

During the same period, the Company entered into a further loan agreement for \$100,000 maturing on January 26, 2019. Upon repayment, the Company will pay a transaction fee of \$5,000 and issue 64,516 common shares. If not repaid by January 26, 2019, interest of 13% per annum will accrue on the principal amount of \$100,000.

During the year ended June 30, 2018, the Company was advanced a \$609,140 in short term loans from unrelated parties. The loans were unsecured, non-interest bearing, and repayable upon demand. During the year ended, the Company issued 2,611,714 common shares at a deemed price of \$0.26 to settle short term debt in the aggregate of \$679,047 and repaid \$394,060 with cash

15. 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. All tranches mature within two years of the initial 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.

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

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 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 September 30, 2018 \$169,327 (June 30, 2018 – \$169,327) 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.

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 profit or 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, 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.

During the year ended June 30, 2018, all future royalties, valued at \$291,022, were settled by issuance of 1,119,316 common shares (note 16). On June 29, 2018, the Company made repayments of \$475,000 and entered into an amending agreement with the issuer whereby the maturity date was extended to December 31, 2019 allowing the Company to purchase an additional \$1,000,000 subject to the same terms as the existing facility. As consideration for the extension, the Company issued 750,000 common share purchase warrants with an exercise price of \$0.25 and life of two years. The fair value of the warrants was estimated to be \$37,516 using the Black-Scholes option pricing model with a volatility of 97.96%, expected life of 2 years, risk free rate of 1.91% and dividend rate of 0% and is included in prepaid expenses as at September 30, 2018.

On the repayment of \$475,000, the Company reclassified \$76,819 relating to the equity component of the settled notes from equity conversion feature on convertible note to reserves. As at September 30, 2018, the Company has not initiated any further issuances of the convertible notes.

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

	September 30, 2018	June 30, 2018
Balance, beginning of period	\$ 10,000	\$ 387,734
Accretion of convertible note	-	97,266
Repayment of convertible note	-	(475,000)
Balance, end of period	10,000	10,000
Current portion	-	-
Long-term portion	\$ 10,000	\$ 10,000
Convertible note, equity component, end of period	\$ 1,477	\$ 1,477
Face value of Note at maturity	\$ 10,000	\$ 10,000

16. Share Capital

(a) Authorized Share Capital

As at September 30, 2018, 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 period ended September 30, 2018, the Company repurchased and returned to treasury 184,440 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder (note 5) recognized as a decrease to share capital of \$54,010. As at September 30, 2018 a total of 260,004 (June 30, 2018 – 296,892) common shares remain in escrow.

During the year ended June 30, 2018, the Company issued common shares as follows:

- (i) On July 4, 2017, the Company issued 888,888 common shares in settlement of the dissenting shareholder liability (note 5) at a deemed price of \$0.31 per common share. Included in profit or loss is a gain of \$26,667 related to the difference between market value of the shares on settlement and the value accrued at June 30, 2017.
- (ii) On September 5, 2017, the Company 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, valued at \$21,169. 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. The Company incurred additional share issuance costs of \$25,600 in connection with the closing.

- (iii) On September 5, 2017, the Company issued 2,611,714 Units in settlement of loans from unrelated parties (note 14) at a deemed price of \$0.26 per common share. Included in profit or loss is a loss of \$91,409 related to the difference between market value of the shares on settlement and the value of the debt settled.

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

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

- (iv) On September 5, 2017, the Company issued 1,119,316 Units to settle future royalty payments on its convertible note (note 15) of \$291,022. Included in profit or loss is a loss of \$39,176 related to the difference between market value of the shares on settlement and the value of the debt settled.
- (v) On October 25, 2017, The Company completed the second and final tranche of a non-brokered private placement by issuing 1,618,824 common share units (each, a "Unit") at a price of \$0.26 per unit for gross proceeds of \$420,894. 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.
- (vi) In connection with the offering, the Company paid a cash commission of \$11,846 and issued 45,560 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.
- (vii) On October 25, 2017, the Company settled debts with three related party debtholders in the aggregate amount of \$79,500 by issuing 305,768 Units at price of \$0.26 per Unit.
- (viii) On November 2, 2017, the Company issued 272,727 common shares through the exercise of stock options for gross proceeds of \$30,000.

- (ix) On November 27, 2017, The Company completed a non-brokered private placement by issuing 6,486,921 common share units (each, a "Unit") at a price of \$0.26 per unit for gross proceeds of \$1,686,599. 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 \$208 and issued 1,000 non-transferrable finder's warrants exercisable at \$0.40 for a period of two years.

- (x) On November 30, 2017, the Company issued 400,000 common shares on the acquisition of the assets of AB Embedded (note 7) valued at \$194,000.
- (xi) On December 12, 2017, the Company issued 44,444 common shares in settlement of the dissenting shareholder liability (note 5) at a deemed price of \$0.415 per common share. Included in profit or loss is a loss of \$3,333 related to the difference between market value of the shares on settlement and the value accrued at June 30, 2017.
- (xii) On January 5, 2018, the Company completed a rights offering by issuing an aggregate of 11,042,331 units (each, a "Unit") of the Company at a subscription price of \$0.26 per Unit, raising aggregate proceeds of \$2,871,006. Each Unit consisted of one common share and one listed transferable common share purchase warrant with each warrant being exercisable for a two-year period from the date of issuance of the Units at a price of \$0.35 per Share, if exercised prior to July 5, 2018, and at a price of \$0.40 per Share thereafter.

In connection with the offering, the Company paid a corporate finance fee of \$40,000, a cash commission of \$287,100, other share issuance costs of \$74,133 and granted 2,085,002 dealer's options to acquire additional Units at a price of \$0.26 for a period of two years valued using the Black-Scholes model at \$338,305.

- (xiii) On January 18, 2018, the Company issued 99,267 common shares at a price of \$0.27 per share for a total value of \$26,802 to settle debt of \$30,723.

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

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

(xiv) On April 17, 2018 the Company issued 102,631 common shares at a price of \$0.18 for a total value of \$18,474 to settle debt of \$19,500 and 75,000 common shares at a price of \$0.18 for a total value of \$13,500 as a bonus payable to an employee.

(xv) On June 18, 2018, the Company issued 9,300,000 common shares at a price of \$0.145 for a total value of \$1,348,500 to the former shareholders of Astra on the 100% acquisition of Astra (note 8).

17. 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, 2017	\$0.56	2,046,667
Issuance of warrants	\$0.38	26,200,834
Expired	\$0.45	(596,667)
Balance - June 30, 2018 and September 30, 2018	\$0.39	27,650,834

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

	Exercise price	Number of warrants	Expiry date
Finders' warrants	\$0.60	200,000*	October 23, 2018
Share purchase warrants	\$0.60	1,250,000*	October 23, 2018
Share purchase warrants	\$0.40	5,786,030	September 5, 2019
Unit finder's warrants ⁽¹⁾	\$0.33	164,400	September 5, 2019
Share purchase warrants	\$0.40	1,924,592	October 25, 2019
Unit finder's warrants ⁽²⁾	\$0.33	45,560	October 25, 2019
Share purchase warrants	\$0.40	6,486,921	November 27, 2019
Finder's warrants	\$0.40	1,000	November 27, 2019
Share purchase warrants	\$0.40	11,042,331	January 5, 2020
Share purchase warrants	\$0.25	750,000	June 29, 2020
		27,650,834	

(1) Each unit finder's warrant includes the right to acquire one common share of the Company and one additional warrant exercisable at a price of \$0.40 until September 5, 2019.

(2) Each unit finder's warrant includes the right to acquire one common share of the Company and one additional warrant exercisable at a price of \$0.40 until October 25, 2019.

*Subsequent to the period ended September 30, 2018, these warrants expired unexercised

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

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

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

	Weighted average exercise price	Number of Shares issued or issuable on exercise
Balance – June 30, 2017	\$0.34	3,065,150
Expired / Cancelled	\$0.41	(259,000)
Exercised (weighted average share price of \$0.34)	\$0.11	(272,727)
Granted	\$0.22	4,585,002
Balance – June 30, 2018	\$0.27	7,118,425
Cancelled	\$0.40	(2,169,786)
Balance – September 30, 2018	\$0.21	4,948,639

Incentive share options outstanding and exercisable September 30, 2018 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.11	363,637	1.31 years	\$0.11	363,637	\$0.11
\$0.26	2,085,002	1.27 years	\$0.26	2,085,002	\$0.26
\$0.19	100,000	2.57 years	\$0.19	50,000	\$0.19
\$0.19	1,400,000	3.57 years	\$0.19	1,400,000	\$0.19
\$0.16	1,000,000	3.69 years	\$0.16	1,000,000	\$0.16
	4,948,639		\$0.21	4,898,639	\$0.21

The weighted average fair value of options granted during the period ended September 30, 2018 was \$nil (2017 - \$nil). Total share-based payments recognized in the statement of shareholders' equity for the period ended September 30, 2018 was \$18,829 (2017 - \$46,052) for incentive options vested and was recognized in the profit or loss.

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:

	September 30, 2018	June 30, 2018
Weighted average share and exercise price	-	\$0.13
Risk-free interest rate	-	1.97%
Expected life of option	-	3.07 years
Expected annualized volatility	-	91%
Expected dividend rate	-	Nil

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19. Management of Capital

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

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of funds for growth and development of its projects, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at September 30, 2018 remains fundamentally unchanged from the year ended June 30, 2018.

20. Supplemental Cash Flow Information

During the period ended September 30, 2018, the Company:

- a) used \$1,787 worth of digital currencies to settle accounts payable and accrued liabilities.

During the period ended September 30, 2017, the Company:

- a) issued 888,888 common shares at a price of \$0.31 for a total value of \$275,555, to settle a portion of its previously accrued commitment to issue shares;
- b) issued 2,611,714 common share units at a price of \$0.295 for a total value of \$770,456, to settle loans payable valued at \$679,047;
- c) issued 1,119,316 common share units at a price of \$0.295 for a total value of \$330,198, to settle future royalties on its convertible note valued at \$291,022;
- d) granted finder's warrants valued at \$21,169
- e) recognized share issuance costs of \$25,600 included in accounts payable at period end.

21. 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 \$11,667 per month.

During the period ended September 30, 2018, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 35,000	\$ 661	\$ 35,661
Chief Financial Officer	27,000	-	27,000
Non-executive Directors	33,000	3,008	36,008
Total	\$ 95,000	\$ 3,669	\$ 98,669

During the period ended September 30, 2017, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 32,500	\$ 1,964	\$ 34,464
Chief Financial Officer	27,000	-	27,000
Non-executive Directors	48,350	8,940	57,290
Total	\$ 107,850	\$ 10,904	\$ 118,754

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21. Related Party Transactions (cont'd...)

Included in accounts payable and accrued liabilities is \$156,657 (June 30, 2018 - \$70,529) due to officers, directors, and a former officer of the Company.

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 \$24,150 (2017 - \$24,150) recorded on the statement of comprehensive loss is from RA. As at September 30, 2018, \$25,358 (June 30, 2018 - \$42,263) was owed from RA.

Kerr Wood Leidal Associates Ltd. ("KWL")

KWL, a consulting engineering company, founded and created FlowWorks and is related through a director of the Company. During the period ended September 30, 2018, the Company earned sales revenue from KWL of \$29,000 (2017 - 33,850) and incurred expenses from KWL of \$8,847 (2017 - 1,976). Included in accounts receivable as at September 30, 2018 is a balance owing from KWL of \$20,155 (June 30, 2018 - \$88,862).

22. Commitments

The Company has entered into two operating lease contracts for office and production space. The future minimum payments under the leases as at September 30, 2018 are as follows:

2019	\$	113,623
2020		161,203
2021		171,015
2022		156,819
	\$	602,660

23. 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.

The Company's financial instruments consist of cash, accounts and other receivables, accounts payable and accrued liabilities, loans payable, and convertible note and are classified as amortized cost. The carrying values of these financial instruments approximate their fair values because of their nature and/or relatively short maturity dates or durations.

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23. Financial Risk Management (cont'd...)

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 September 30, 2018 and June 30, 2018, the Company was not subject to significant market risk, except as noted below.

Foreign currency risk

As at September 30, 2018 the Canadian dollar equivalent carrying values of the financial assets and liabilities denominated in foreign balances are as follows:

September 30,	US Dollars		Polish Zloty	
	2018	2017	2018	2017
Financial Assets				
Cash	\$ 14,852	\$ 43,443	\$ 166	\$ 65,854
Accounts receivable	86,495	178,883	-	-
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 96,372	\$ 87,806	\$ 51,695	\$ 51,772

Foreign currency risk

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 \$248,933 (2017 - \$338,379) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$25,000 (2017 - \$34,000) (Canadian dollar equivalent) change in profit or 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 September 30, 2018 and June 30, 2018, 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 bears 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 Polish bank.

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23. Financial Risk Management (cont'd...)

Financial and capital risk management (cont'd...)

Credit risk (cont'd...)

The Company is exposed to credit risk on its trade accounts receivable. The Company's credit risk for accounts receivable is concentrated as 29% of its trades account receivable is owing from three customers (June 30, 2018 – 43% from three customers), with more than 10% owing from one of those customers.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due. The Company has assessed expected credit losses based on 20% of its trade accounts receivables aged past 90 days and has estimated expected credit losses at September 30, 2018 of \$4,313 (June 30, 2018 - \$22,373).

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 convertible note and loans payable are disclosed in notes 15 and 14, respectively. The Company has limited working capital at September 30, 2018 and will need to raise further financing to meet its financial obligations.

24. Segmented Information

The Company operates in three reportable segments, comprised of data services, data hosting, and digital currency verification, for which information is regularly reviewed by the Company's President and CEO, being the chief operating decision-maker. 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 for the three months ended September 30:

	2018		2017	
Revenue				
Canada	\$	358,162	\$	109,595
United States		108,300		252,934
	\$	466,462	\$	362,529

The following is a breakdown of the Company's revenues based upon reportable segment for the three months ended September 30:

	2018		2017	
Revenue				
Data services	\$	273,083	\$	362,529
Data hosting		189,000		-
Digital currency verification		4,379		-
	\$	466,462	\$	362,529

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25. Subsequent Events

Subsequent to September 30, 2018, the Company:

- a) entered into a loan agreement with an arm's length party of \$50,000. The loan is non-interest bearing and repayable on demand;
- b) granted 3,995,247 stock options with an exercise price of \$0.14 and a life of four years to various employees, consultants, officers, and directors which vest 50% on grant, 25% after six months, and 25% on the one-year anniversary of grant; and
- c) issued 330,000 common shares at a price of \$0.10 per share to a director of the Company in settlement of accounts payable and accrued liabilities of \$33,000 and 214,285 in settlement of the commitment to issue shares on the \$300,000 loan obtained during the period ended September 30, 2018.