



**CARL DATA SOLUTIONS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**(Expressed in Canadian Dollars)**

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**Baker Tilly WM LLP**  
900 – 400 Burrard Street  
Vancouver, British Columbia  
Canada V6C 3B7  
T: +1 604.684.6212  
F: +1 604.688.3497

## INDEPENDENT AUDITOR'S REPORT

vancouver@bakertilly.ca  
[www.bakertilly.ca](http://www.bakertilly.ca)

To the Shareholders of CARL Data Solutions Inc.:

### **Opinion**

We have audited the consolidated financial statements of CARL Data Solutions Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which describes conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

October 22, 2019

**CARL DATA SOLUTIONS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
Presented in Canadian Dollars

As at	June 30, 2019	June 30, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 30,829	\$ 247,795
Accounts and other receivables (note 9)	367,499	432,408
Digital currencies (note 10)	615	8,244
Prepaid expenses	396,567	434,767
	795,510	1,123,214
<b>Non-Current Assets</b>		
Intangible assets (notes 7, 8 and 12)	1,688,972	2,442,044
Property and equipment (notes 7, 8 and 11)	518,787	701,571
Goodwill	118,775	118,775
	3,122,044	4,385,604
<b>Total Assets</b>	\$ 3,122,044	\$ 4,385,604
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 13)	\$ 1,149,568	\$ 373,015
Current portion of convertible notes (note 15)	741,022	-
Current portion of loans payable (note 14)	519,701	604,000
	2,410,291	977,015
<b>Loans payable (note 14)</b>	225,000	-
<b>Convertible notes (note 15)</b>	-	10,000
	2,635,291	987,015
<b>Shareholders' Equity (note 16)</b>		
Share capital	15,825,300	15,638,336
Reserves	1,579,170	1,293,509
Equity conversion feature on convertible note (note 15)	90,206	1,477
Commitment to issue shares (notes 7 and 14)	10,000	113,211
Accumulated other comprehensive income	40,284	41,663
Deficit	(17,058,207)	(13,689,607)
	486,753	3,398,589
<b>Total Liabilities and Shareholders' Equity</b>	\$ 3,122,044	\$ 4,385,604

**Description of Business and Going Concern** (note 1)

**Commitments** (note 22)

**Subsequent Events** (note 26)

**APPROVED ON BEHALF OF THE BOARD ON OCTOBER 22, 2019**

"Kevin Ma"

**Director**

"Chris Johnston"

**Director**

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

**CARL DATA SOLUTIONS INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
Presented in Canadian Dollars

For the year ended	June 30, 2019	June 30, 2018
<b>Revenue</b>		
Data services	\$ 1,099,775	\$ 856,490
Data hosting	407,911	40,044
Digital currency verification services (note 10)	20,395	10,587
Custom programming service contracts	25,745	255,191
Social referral software	96,600	96,600
	1,650,426	1,258,912
<b>Expenses</b>		
Accretion of convertible note (note 15)	89,751	97,266
Amortization (note 12)	752,169	338,160
Bad debts (notes 9 and 24)	5,983	17,434
Computer hosting costs	408,621	286,403
Consulting	878,855	824,172
Depreciation (note 11)	225,889	53,271
Energy costs	232,803	-
Filing and transfer agent	32,249	68,584
Foreign exchange (gain) loss	(2,878)	53,443
Interest and penalties (notes 14 and 15)	89,348	85,508
Investor relations	236,848	1,973,261
Marketing	108,901	68,711
Occupancy	189,367	158,874
Office and miscellaneous	187,295	185,581
Professional	293,598	301,041
Share-based payments (notes 16(b)(xiii) and 18)	285,661	409,282
Salaries and wages	870,546	931,807
Travel	94,753	180,783
	4,979,759	6,033,581
<b>Operating loss</b>	(3,329,333)	(4,774,669)
<b>Other items</b>		
Financing costs (notes 14 and 16(b)(iv))	(45,000)	(292,028)
Gain (loss) on settlement of debt (note 16(b))	14,250	(104,478)
Realized gain on sale of digital currencies (note 10)	1,054	-
Digital currencies and cash written off (note 10)	(11,943)	-
Revaluation of digital currencies (note 10)	2,372	(2,343)
<b>Loss before income tax</b>	(3,368,600)	(5,173,518)
<b>Deferred income tax recovery</b> (note 23)	-	465,000
<b>Loss for the year</b>	(3,368,600)	(4,708,518)
<b>Other comprehensive loss</b>		
Foreign exchange gain on translation of subsidiary	(1,379)	25,256
<b>Comprehensive loss for the year</b>	\$ (3,369,979)	\$ (4,683,262)
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic and Diluted	76,346,330	56,330,938
<b>Loss Per Share</b>		
Basic and Diluted	\$ (0.04)	\$ (0.08)

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

**CARL DATA SOLUTIONS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Presented in Canadian Dollars

For the year ended June 30,	<b>2019</b>	<b>2018</b>
<b>Cash Flows used in Operating Activities</b>		
Loss for the year	\$ (3,368,600)	\$ (4,708,518)
Non-cash items		
Amortization	752,169	338,160
Accretion expense	89,751	97,266
Accrued commitment to issue shares	80,789	113,211
Interest expense	81,765	19,060
Accrued financing costs	15,000	-
Deferred income tax recovery	-	(465,000)
Depreciation	225,889	53,271
Digital currency verification services	(20,395)	(10,587)
Digital currencies written off	11,413	-
Foreign exchange loss	-	10,669
(Gain) loss on settlement of debt	(14,250)	104,478
Realized gain (loss) on sale of digital currencies	(1,054)	-
Revaluation of digital currencies	(2,372)	2,343
Share-based payments	285,661	409,282
Shares issued for financing costs	30,000	291,021
Changes in non-cash working capital items:		
Accounts and other receivables	28,461	(188,031)
Prepaid expenses	38,146	(10,022)
Accounts payable and accrued liabilities	842,214	(345,532)
	(925,413)	(4,288,929)
<b>Cash Flows used in Investing Activities</b>		
Acquisition of Carl Poland	-	109
Acquisition of Astra Smart Systems Inc.	-	60
Acquisition of property and equipment	(8,537)	(250,000)
	(8,537)	(249,831)
<b>Cash Flows provided by Financing Activities</b>		
Net proceeds from issuance of common shares	-	4,969,150
Proceeds from exercise of stock options	-	30,000
Repurchase of common shares	(87,286)	-
Proceeds from convertible note	430,000	-
Proceeds from disposals of digital currencies	20,037	-
Repayment of convertible note	-	(475,000)
Short-term loans	970,000	609,140
Repayment of short-term loans	(616,064)	(394,060)
	716,687	4,739,230
<b>Effect of foreign exchange on cash</b>	297	6,719
<b>Change in cash during the year</b>	(216,966)	207,189
<b>Cash – beginning of year</b>	247,795	40,606
<b>Cash – end of year</b>	\$ 30,829	\$ 247,795
<b>Supplemental Cash Flow Information</b> (see note 20)		

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

**CARL DATA SOLUTIONS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
Presented in Canadian Dollars

	<u>Share Capital</u>			Equity feature on convertible note	Commitment to issue shares	Accumulated other comprehensive gain (loss)	Deficit	Total
	Shares	Amount	Reserves					
<b>Balance – June 30, 2017</b>	39,452,498	\$ 7,910,928	\$ 436,221	\$ 78,296	\$ 317,333	\$ 16,407	\$ (8,981,089)	\$ (221,904)
Net comprehensive loss for the year	-	-	-	-	-	25,256	(4,708,518)	(4,683,262)
Shares issued for:								
Acquisition of Astra (notes 8 and 16(b)(xiv))	9,300,000	1,348,500	-	-	-	-	-	1,348,500
Cash (notes 16(b)(ii), 16(b)(v), 16(b)(viii) and 16(b)(xi))	21,203,076	5,512,799	-	-	-	-	-	5,512,799
Exercise of options (note 16(b)(vii))	272,727	47,236	(17,236)	-	-	-	-	30,000
Settlement of dissenter contingency (notes 16(b)(i) and 16(b)(x))	933,332	293,999	-	-	(317,333)	-	-	(23,334)
Acquisition of assets (notes 7 and 16(b)(ix))	400,000	194,000	-	-	-	-	-	194,000
Debt settlement (notes 16(b)(iii), 16(b)(iv), 16(b)(vi), 16(b)(xii) and 16(b)(xiii))	4,238,696	1,225,430	-	-	-	-	-	1,225,430
Share issuance costs – cash (notes 16(b)(ii), 16(b)(v), 16(b)(viii) and 16(b)(xi))	-	(543,649)	-	-	-	-	-	(543,649)
Share issuance costs – warrants (notes 16(b)(ii), 16(b)(v) and 16(b)(viii))	-	(26,102)	26,102	-	-	-	-	-
Share issuance costs – options (note 16(b)(xi) and 16(b)(xiii))	-	(338,305)	338,305	-	-	-	-	-
Accrued commitment to issue shares (note 6)	-	-	-	-	113,211	-	-	113,211
Share-based payments (notes 16(b)(xiii) and 18)	75,000	13,500	395,782	-	-	-	-	409,282
Settlement of convertible note (note 14)	-	-	76,819	(76,819)	-	-	-	-
Warrants issued for convertible note (note 14)	-	-	37,516	-	-	-	-	37,516
<b>Balance – June 30, 2018</b>	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 year	-	-	-	-	-	(1,379)	(3,368,600)	(3,369,979)
Shares issued for:								
Acquisition of assets (notes 7 and 16(b)(iv))	400,000	194,000	-	-	(113,211)	-	-	80,789
Debt settlement (notes 16(b)(ii) and 16(b)(vii))	540,000	57,750	-	-	-	-	-	57,750
Financing costs (notes 14 and 16(b)(iii))	214,285	22,500	-	-	-	-	-	22,500
Shares repurchased (notes 16(b)(i), 16(b)(v), 16(b)(vi), and 16(b)(viii))	(295,104)	(87,286)	-	-	-	-	-	(87,286)
Accrued financing fees (note 14)	-	-	-	-	10,000	-	-	10,000
Issuance of convertible notes (note 15)	-	-	-	88,729	-	-	-	88,729
Share-based payments (note 18)	-	-	285,661	-	-	-	-	285,661
	76,734,510	\$ 15,825,300	\$ 1,579,170	\$ 90,206	\$ 10,000	\$ 40,284	\$ (17,058,207)	\$ 486,753

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



**1. Description of Business and Going Concern**

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 OTCQB (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:

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

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these consolidated financial statements. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2019, the Company had not achieved profitable operations, had accumulated a deficit of \$17,058,207 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 consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

**Basis of Presentation**

The consolidated financial statements have been prepared on a historical cost basis except for certain financial 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 consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Actual results could differ from these estimates.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

2. **Basis of Preparation** (continued)

**Critical accounting judgments**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below.

*Functional currency*

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.

*Software development*

The application of the Company's accounting policy for software development expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the year in which the new information becomes available.

*Estimate useful life*

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

*Classification of digital currencies*

The Company's determination to classify its holding of digital currencies as current assets is based on management's assessment that its digital currencies held can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company intends to sell its digital currencies in the near future to generate a profit from price fluctuations.

*Business combinations*

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended June 30, 2018, the Company completed the acquisitions of the physical and intangible assets of AB Embedded Systems Ltd. ("**AB Embedded**") (note 7) and all the issued and outstanding shares of Carl PL (note 6) and Astra (note 8) and concluded that each of the transactions qualified as business combinations under IFRS 3, "Business Combinations."

*Impairment of accounts receivable*

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

*Deferred income tax*

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

**2. Basis of Preparation** (continued)

**Critical accounting judgments** (continued)

*Going concern*

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

**Critical accounting estimates**

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

*Valuation of acquired assets*

The Company has made estimates with respect to the acquisition date fair values of the identifiable assets and liabilities of FlowWorks (note 5), Astra (note 8), Carl PL (note 6), and AB Embedded (note 7). The valuation of intangible assets requires management to use valuation techniques to assess the fair values of assets and liabilities acquired at acquisition date, and each subsequent reporting period end date. The Company used its judgment to select methods and makes assumptions that reflected market conditions as at these dates.

*Equity-settled transactions*

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.

**Basis of Consolidation**

These consolidated 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-ends 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**

**Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets acquired, net of liabilities incurred or assumed by the Company. The acquiree's identifiable assets acquired and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in profit or loss as incurred, except if related to the issue of debt or equity securities. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Any goodwill that arises is tested at least annually for impairment.

**3. Significant Accounting Policies** (continued)

**Intangible assets**

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

FlowWorks Customer list	5 years
FlowWorks Software application	3 years
Electrical systems certification	3 years
Control system source code	3 years
Augmented business intelligence software	3 years
Environmental sensor firmware	3 years
Preferential lease	4 years

The amortization method, estimated useful lives, and residual values are reviewed annually, or more frequently if required, and are adjusted as appropriate. Impairment losses identified, if any, are recognized in profit or loss in the period in which they occur.

**Impairment**

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

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

**Revenue recognition**

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

*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.

**3. Significant Accounting Policies** (continued)

**Revenue recognition** (continued)

*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](http://www.cryptocompare.com).

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.

**Translation of Foreign Currencies**

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

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

- Assets and liabilities – at the closing rate at the date of the consolidated statement of financial position.
- Income and expenses – at the average rate of the reporting period (as this is considered a reasonable approximation to actual rates).
- All resulting changes are recognized in other comprehensive income as foreign exchange gain (loss) on translation of a subsidiary.

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

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

**Property and Equipment**

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

**3. Significant Accounting Policies** (continued)

**Property and Equipment** (continued)

Depreciation is recognized in operations using the declining balance method at the following rates over the assets useful life:

Machinery and equipment	30%
Computer equipment	30%
Furniture and fixtures	20%
Digital currency processors	50%

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

**Digital Currency Valuation**

Digital currencies consist of cryptocurrency denominated assets (Note 10) and are included in current assets. Digital currencies are initially valued at their fair value determined using the closing spot price of the coin on the date of receipt and carried at fair value determined using the closing spot price of the coin at each reporting date, based on prices available on [www.cryptocompare.com](http://www.cryptocompare.com). 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. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; given the immaterial balance of digital currencies, a significant change in the market prices for digital currencies would not have a significant impact on the Company's earnings and financial position.

**Goodwill**

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

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

Goodwill is not subject to amortization but is tested at least annually for impairment by allocating goodwill to the cash generating units expected to benefit from it and comparing the carrying amount of the units, including the goodwill, with the recoverable amount of the units.

**Financial Instruments**

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Recognition

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

**3. Significant Accounting Policies** (continued)

**Financial Instruments** (continued)

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- Those to be measured subsequently at amortized cost; and
- Those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”).

The classification and measurement of financial assets after initial recognition at fair value 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 FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial assets, or where appropriate, a shorter period. The amortized cost is reduced by impairment losses. Interest income, expense, foreign exchange gains and losses and impairments are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

After initial recognition at fair value, financial instruments are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassified financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company’s cash is recorded at FVTPL. The Company’s accounts and other receivables, accounts payable and accrued liabilities, loans payable and convertible debt are recorded at amortized cost.

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

**3. Significant Accounting Policies** (continued)

**Financial Instruments**

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 profit or loss, similar to the presentation under IAS 39.

**Valuation of equity units issued in private placements**

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

**Share-based payments**

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

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

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

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

**Earnings (loss) per share**

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

**Government grants**

Government grants related to research and development activities are recognized in profit or loss as a deduction from the related expenditure when there is reasonable assurance that the grant will be received. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.



**3. Significant Accounting Policies** (continued)

**Income taxes**

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

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

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

**Segment reporting**

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

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

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

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 did not have a material impact on the Company's consolidated financial statements.

**3. Significant Accounting Policies** (continued)

**Accounting Standards and Amendments Issued by 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 will be adopting IFRS 16 on July 1, 2019 using the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. For all leases, the lease liability will be measured at July 1, 2019 as the present value of any future minimum lease payments discounted using the appropriate incremental borrowing rate. The associated right of use assets will be measured at the amount equal to the lease liability on July 1, 2019.

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

**5. Acquisition of FlowWorks**

On October 13, 2015, the Company completed the acquisition of FlowWorks pursuant to the terms of a share exchange agreement between CARL, FlowWorks and the majority shareholders of FlowWorks. CARL acquired 100% of the outstanding common shares of FlowWorks in exchange for 7,629,397 common shares of the Company issued to two shareholders of FlowWorks. One shareholder of FlowWorks, holding approximately 11% of FlowWorks, dissented to the transaction. The Company agreed to assume any obligation in connection with payment of fair value for such dissenting shares and all expenses in connection with the dissenter’s rights. 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:

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

**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.

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**7. Acquisition of AB Embedded Assets (continued)**

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. On November 29, 2018 this contractor agreement was cancelled and replaced by a consulting agreement, which was terminated on February 15, 2019, ending any working relationship between Carl and AB Embedded. During the year ended June 30, 2019 the Company issued an additional 400,000 common shares valued at \$194,000 of which \$113,211 in consulting fees had been accrued as a commitment to issue shares as of June 30, 2018.

The acquisition of assets constitutes a business combination and the purchase price has been allocated as follows:

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

The property and equipment acquired is comprised of 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 (paid).

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.

<b>Purchase price consideration</b>	
Value of 9,300,000 common shares issued at \$0.145	\$ 1,348,500
<b>Assets acquired</b>	
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
	<b>\$ 1,348,500</b>

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**8. Acquisition of Astra (continued)**

Accounts receivable acquired with Astra are goods and services tax (“GST”) receivables and are recorded at fair value at the date of acquisition. The property and equipment acquired is comprised of 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 was paid 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.

**9. Accounts and Other Receivables**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Gross trade accounts receivable	\$ 356,658	\$ 416,239
Less: allowance for doubtful accounts	(2,759)	(22,740)
Net trade accounts receivable	353,899	393,499
GST receivable	13,600	38,909
	<b>\$ 367,499</b>	<b>\$ 432,408</b>

Reconciliation of allowance for doubtful accounts is as follows:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Balance – beginning of year	\$ 22,740	\$ 6,512
Change in provision	-	16,359
Recovery	(19,981)	(131)
Balance – end of year	<b>\$ 2,759</b>	<b>\$ 22,740</b>

**10. Digital Currencies**

As at June 30, 2019, the Company’s digital currencies had a fair value of \$615. 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](http://www.cryptocompare.com). The Company’s holdings of digital currencies consist of the following:

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**10. Digital Currencies (continued)**

	June 30, 2019	June 30, 2018
BitCoin	\$ -	\$ 4,717
Ethereum	615	1,554
Dash	-	1,973
	\$ 615	\$ 8,244

The continuity of digital currencies was as follows:

	June 30, 2019	June 30, 2018
Balance – beginning of the period	\$ 8,244	\$ -
Digital currency mined	20,395	10,587
Digital currency sold	(18,983)	-
Digital currency written off	(11,413)	-
Revaluation adjustment	2,372	(2,343)
	\$ 615	\$ 8,244

During the year ended June 30, 2019, the Company sold digital currencies with a cost of \$18,983 for proceeds of \$20,037 and recognized a gain on sale of \$1,054. The Company previously held digital currencies and cash with QuadrigaCX, a cryptocurrency exchange that filed for bankruptcy during the year ended June 30, 2019. As the Company does not expect to recuperate these digital currencies, it has written off the value of digital currencies and cash held with QuadrigaCX at the time of bankruptcy of \$11,413 and \$530 respectively.

**11. Property and Equipment**

	Machinery and equipment	Computer equipment	Furniture and fixtures	Digital currency processors	Total
<b>Cost</b>					
Balance – June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Additions (notes 7 and 8)	102,790	10,506	391,546	250,000	754,842
Balance – June 30, 2018	102,790	10,506	391,546	250,000	754,842
Additions	-	1,768	-	41,337	43,105
Balance – June 30, 2019	102,790	12,274	391,546	291,337	797,947
<b>Accumulated Depreciation</b>					
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	25,463	2,735	77,768	119,923	225,889
Balance – June 30, 2019	43,374	4,566	80,475	150,745	279,160
Balance – June 30, 2018	\$ 84,879	\$ 8,675	\$ 388,839	\$ 219,178	\$ 701,571
Balance – June 30, 2019	\$ 59,416	\$ 7,708	\$ 311,071	\$ 140,592	\$ 518,787

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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
<b>Cost</b>									
Balance – June 30, 2018	\$ 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 June 30, 2019	-	675,234	659,154	23,500	56,000	540,697	181,133	1,079,994	3,215,712
<b>Accumulated Amortization</b>									
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	-	140,637	134,802	7,833	18,667	180,232	-	269,998	752,169
Balance – June 30, 2019	-	539,359	492,587	12,402	29,556	187,741	-	281,247	1,542,892
<b>Cumulative Translation Adjustment</b>									
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	-	138	(1,041)	-	-	-	-	-	(903)
Balance – June 30, 2019	-	7,925	8,227	-	-	-	-	-	16,152
Balance – June 30, 2018	\$ -	\$ 284,299	\$ 310,637	\$ 18,931	\$ 45,111	\$ 533,188	\$ 181,133	\$ 1,068,745	\$ 2,442,044
Balance – June 30, 2019	\$ -	\$ 143,800	\$ 174,794	\$ 11,098	\$ 26,444	\$ 352,956	\$ 181,133	\$ 798,747	\$ 1,688,972

**12. Intangible assets (continued)**

*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 reallocated the amount and began 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 1.25 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 is being amortized over a 3-year term, with approximately 1.50 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 is being amortized over a 3-year term, with approximately 1.50 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 is being amortized over a 3-year term, with approximately 2.0 years remaining unamortized.

*Environmental Sensor Firmware*

The Environmental Sensor Firmware 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 is being amortized over a 3-year term, with approximately 3.0 years remaining unamortized, as these assets were not put into use until subsequent to year-end.

*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 is being amortized over a 4-year term, with approximately 3.0 years remaining unamortized.

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**13. Accounts Payable and Accrued Liabilities**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Trade accounts payable	\$ 672,818	\$ 262,386
Due to related parties (note 21)	310,955	70,529
Accrued liabilities	165,795	40,100
	<b>\$ 1,149,568</b>	<b>\$ 373,015</b>

**14. Loans Payable**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Balance – beginning of year	\$ 604,000	\$ 448,907
Advances of loans	970,000	609,140
Interest and fees accrued	86,765	19,060
Repayments – cash	(616,064)	(394,060)
Assumed on acquisition of Astra (note 8)	-	600,000
Settlements – convertible debenture issued (note 15)	(300,000)	-
Settlements – shares (note 16)	-	(679,047)
Balance – end of year	744,701	604,000
Non-current	(225,000)	-
Current portion	<b>\$ 519,701</b>	<b>\$ 604,000</b>

During the years ended June 30, 2019 and 2018, the Company entered into the following unsecured loan agreements:

- a) \$300,000 was received from an arm's-length party with a maturity date of September 13, 2018. In connection with the loan, the Company agreed to pay interest of \$15,000 and issue 214,285 common shares on maturity (issued). Additional interest 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. The Company settled the principal of \$300,000 during the year ended June 30, 2019 through the issuance of a convertible note in the same amount (note 15). As at June 30, 2019, interest payable of \$41,695 remains included in the balance of loans payable;
- b) \$100,000 was received from an arm's-length party with a maturity date of January 26, 2019. In connection with the loan the Company agreed to pay a transaction fee of \$5,000 and issue 64,516 common shares. Since the loan was not repaid by January 26, 2019, interest of 13% per annum is accruing on the principal amount of \$100,000. As at June 30, 2019, \$10,000 relating to the common shares has been accrued as a commitment to issue shares and \$5,000 in transaction fees has been included in the balance of loans payable;
- c) \$50,000 was received from an arm's-length party, repayable on demand and non-interest bearing;
- d) \$90,000 was received from two directors of the Company with maturity dates of January 31, 2019. In connection with the loans, the Company pays 20% simple interest per annum. As at June 30, 2019, the loans remain payable with accrued interest;
- e) \$225,000 was received from an arm's-length party on December 3, 2018 bearing interest of prime plus 2.5% on a monthly basis. After 24 months, the Company will make monthly payments over 60 months inclusive of principal and interest component;
- f) an aggregate of \$205,000 received from three loans with an arm's-length party all with maturities of December 31, 2019 bearing interest at a rate of 15% per annum.



**14. Loans Payable** (continued)

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 June 30, 2019, 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 Notes**

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.

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 June 30, 2019 \$169,327 (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.

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 in the consolidated statement of comprehensive loss as a result of the conversion. In connection with the conversion, the Company was required to issue 400,000 common shares to the holder with a fair value of \$156,000 to settle amounts payable of \$136,000. The 400,000 common shares issued represent the balance of the bonus shares not issued during fiscal 2016.

During the year ended June 30, 2017, 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 June 30, 2019.

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**15. Convertible Notes (continued)**

On the repayment of \$475,000 on June 28, 2018, 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 June 30, 2019, the Company has not initiated any further issuances of the convertible notes from this facility.

Separate from the above noted credit facility, during the year ended June 30, 2019, the Company issued the following convertible notes directly:

- a) \$300,000, bearing interest at a rate of 12% per annum and maturing on December 24, 2019. The principal and interest, at the option of the holder, will be convertible into common shares of the Company at a conversion price of \$0.15 per common share. The Company allocated \$41,538 to the equity component of the note;
- b) \$300,000 in settlement of loans payable (note 14), bearing interest at a rate of 12% per annum and maturing on December 27, 2019. The principal and interest, at the option of the holder, will be convertible into common shares of the Company at a conversion price of \$0.15 per common share. The Company allocated \$41,539 to the equity component of the note;
- c) \$70,000, bearing interest at a rate of 10% per annum and maturing on July 28, 2019. The principal and interest, at the option of the holder, will be convertible into common shares of the Company at a conversion price of \$0.15 per common share. The Company allocated \$3,043 to the equity component of the note. Subsequent to the year ended June 30, 2019 the note's maturity was extended to October 28, 2019; and
- d) \$60,000, bearing interest at a rate of 10% per annum and maturing on July 28, 2019. The principal and interest, at the option of the holder, will be convertible into common shares of the Company at a conversion price of \$0.15 per common share. The Company allocated \$2,609 to the equity component of the note. Subsequent to the year ended June 30, 2019 the note's maturity was extended to October 28, 2019

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Balance, beginning of year	\$ 10,000	\$ 387,734
Additions	730,000	-
Equity component of additions	(88,729)	-
Accretion of convertible note	89,751	97,266
Repayment of convertible note	-	(475,000)
Balance, end of year	741,022	10,000
Current portion	741,022	-
Long-term portion	\$ -	\$ 10,000
Convertible note, equity component, end of year	\$ 90,206	\$ 1,477
Face value of notes at maturity	\$ 815,000	\$ 10,000

**16. Share Capital**

**(a) Authorized Share Capital**

As at June 30, 2019, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

**(b) Issued Share Capital**

During the year ended June 30, 2019, share activity was as follows:

**16. Share Capital** (continued)

**(b) Issued Share Capital** (continued)

- (i) On August 31, 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) and recognized a decrease to share capital of \$54,010.
- (ii) On October 22, 2018, the Company issued 330,000 common shares at a price of \$0.105 per common share, for a total value of \$34,650, to settle accounts payable with a director of \$33,000. The Company recognized a loss of \$1,650 on the settlement.
- (iii) On October 22, 2018, the Company issued 214,285 common shares at a price of \$0.105 per common share, for a total value of \$22,500, to settle finance fees on a short-term loan (note 14) previously accrued at \$30,000. The Company recognized a gain of \$7,500 on the settlement.
- (iv) On November 30, 2018, the Company issued 400,000 common shares at a price of \$0.485 per common share, for a total value of \$194,000, as required per the acquisition of the AB Embedded assets (note 7).
- (v) On December 19, 2018, the Company repurchased and returned to treasury 36,888 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder (note 5) and recognized a decrease to share capital of \$11,143.
- (vi) On January 14, 2019, the Company repurchased and returned to treasury 36,888 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder (note 5) and recognized a decrease to share capital of \$11,017.
- (vii) On February 20, 2019, the Company issued 210,000 common shares at a price of \$0.11 per common share, for a total value of \$23,100, to settle accounts payable with a director of \$31,500. The Company recognized a gain of \$8,400 on the settlement.
- (viii) On April 24, 2019, the Company repurchased and returned to treasury 36,888 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder (note 5) and recognized a decrease to share capital of \$11,116.

As at June 30, 2019 a total of 149,340 (2018 – 296,892) common shares remain in escrow.

During the year ended June 30, 2018, share activity was 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 is 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.

**16. Share Capital** (continued)

**(b) Issued Share Capital** (continued)

- (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.
- (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 is 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.

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**16. Share Capital (continued)**

**(b) Issued Share Capital (continued)**

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.
- (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 warrants
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	\$0.39	27,650,834
Expired	\$0.60	(1,450,000)
Balance - June 30, 2019		26,200,834

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

	Exercise price	Number of warrants	Expiry date
Share purchase warrants	\$0.40	5,786,030	September 5, 2019*
Unit finder's warrants <sup>(1)</sup>	\$0.33	164,400	September 5, 2019*
Share purchase warrants	\$0.40	1,924,592	October 25, 2019
Unit finder's warrants <sup>(2)</sup>	\$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
		26,200,834	

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

(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.

\* Subsequent to the year ended June 30, 2019 these warrants expired unexercised.

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**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.

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

	Weighted average exercise price	Number of Options
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	(2,194,786)
Granted	\$0.14	3,995,247
Balance – June 30, 2019	\$0.18	8,918,886

Incentive share options outstanding and exercisable June 30, 2019 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	0.56 years	\$0.11	363,637	\$0.11
\$0.26	2,085,002	0.52 years	\$0.26	2,085,002	\$0.26
\$0.19	100,000	1.82 years	\$0.19	100,000	\$0.19
\$0.19	1,400,000	2.82 years	\$0.19	1,400,000	\$0.19
\$0.16	1,000,000	2.94 years	\$0.16	1,000,000	\$0.16
\$0.14	3,970,247	3.29 years	\$0.14	2,977,685	\$0.14
	8,918,886		\$0.18	7,926,324	\$0.19

The weighted average fair value of options granted during the year ended June 30, 2019 was \$0.07 (2018 - \$0.14). Total share-based payments recognized in profit or loss and the statement of shareholders' equity for the year ended June 30, 2019 were \$285,661 (2018 - \$395,782) for incentive options vested.

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:

	June 30, 2019	June 30, 2018
Weighted average share and exercise price	\$0.12	\$0.13
Risk-free interest rate	2.37%	1.97%
Expected life of option	3.00 years	3.07 years
Expected annualized volatility	100%	91%
Expected dividend rate	Nil	Nil

**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 June 30, 2019 remains fundamentally unchanged from the year ended June 30, 2018.

**20. Supplemental Cash Flow Information**

During the year ended June 30, 2019, the Company:

- a) settled \$300,000 in loans payable through the issuance of a convertible note with \$258,461 allocated to convertible notes and \$41,539 to the equity component;
- b) issued 330,000 common shares at a price of \$0.105 per common shares, for a total of \$34,650, to settle amounts owed to a director of the Company;
- c) issued 400,000 common shares valued at \$0.485 per common shares, for a total value of \$194,000, of which \$113,211 had previously been accrued to commitment to issue shares;
- d) settled accounts receivable of \$34,568 through the receipt of property and equipment with the same value; and
- e) issued 210,000 common shares at a price of \$0.11 per common share, for a total of \$23,100 to settle amounts owed to a director of the Company.

During the year ended June 30, 2018, the Company:

- a) issued 933,332 common shares at a price of \$0.31 for a total value 293,999 to settle its previously accrued commitment to issue shares;
- b) issued 2,611,714 common shares at a price of \$0.295 for a total value of \$770,456, to settle loans payable valued at \$679,047;
- c) issued 507,666 common shares valued at \$124,776 to settle accounts payable valued at \$129,773;
- d) granted finders' warrants valued at \$26,102 on private placements closed during the period;
- e) granted dealer's options valued at \$338,305 on the rights offering closed during the period;
- f) reclassified \$17,236 from reserves to share capital on the exercise of options;
- g) issued 400,000 common shares at a price of \$0.495 for a total value of \$194,000 to acquire the assets of AB Embedded;
- h) reclassified \$76,819 from equity conversion feature on convertible note to reserves; and
- i) issued 9,300,000 common shares at a price of \$0.145 for a total value of \$1,348,500 on the acquisition of Astra.

**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 year ended June 30, 2019, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 140,000	\$ 67,106	\$ 207,106
Chief Financial Officer	25,000	-	25,000
Former Chief Financial Officer	108,000	6,645	114,645
Non-executive Directors	50,000	73,922	123,922
<b>Total</b>	<b>\$ 323,000</b>	<b>\$ 147,673</b>	<b>\$ 470,673</b>

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

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 134,166	\$ 80,614	\$ 214,780
Former Chief Financial Officer	108,000	10,983	118,983
Non-executive Directors	81,500	69,317	150,817
<b>Total</b>	<b>\$ 323,666</b>	<b>\$ 160,914</b>	<b>\$ 484,580</b>

Included in accounts payable and accrued liabilities is \$241,805 (2018 - \$70,529) due to officers, directors, and a former officer of the Company. During the year ended June 30, 2019, the Company issued a total of 540,000 (2018 - 305,768) common shares to related parties to settle accounts payable and accrued liabilities of \$64,500 (2018 - \$79,500).

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 \$96,600 (2018 - \$96,600) recorded in profit or loss is from RA. As at June 30, 2019, \$33,810 (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 year ended June 30, 2019, the Company earned sales revenue from KWL of \$142,775 (2018 - \$170,210) and incurred expenses from KWL of \$30,101 (2018 - \$16,061). Included in accounts receivable as at June 30, 2019 is a balance owing from KWL of \$30,030 (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 June 30, 2019 are as follows:

2020	\$	172,703
2021		183,025
2022		120,105
	<b>\$</b>	<b>475,833</b>



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**23. Income Taxes**

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended June 30, 2019 and 2018.

	<b>2019</b>	<b>2018</b>
Loss before income tax for the year	\$ (3,368,600)	\$ (5,173,518)
Expected income tax (recovery)	\$ (910,000)	\$ (1,224,000)
Change in statutory, foreign tax rates and other	39,000	684,000
Permanent difference	111,000	(146,000)
Share issuance and financing costs	(12,000)	(312,000)
Deferred tax assets not recognized	772,000	533,000
Income tax expenses (recovery)	\$ -	\$ (465,000)

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

	<b>2019</b>	<b>2018</b>
Deferred tax assets:		
Debt with accretion	\$ -	\$ -
Share issuance and financing costs	321,000	440,000
Property and equipment	74,000	33,000
Non-capital losses available for future periods	3,628,000	3,020,000
	4,023,000	3,493,000
Unrecognized deferred tax assets	(3,721,000)	(2,495,000)
	302,000	998,000
Deferred tax (liabilities):		
Intangible assets	(302,000)	(533,000)
Recognized on acquisition of a subsidiary	-	(465,000)
Net deferred tax assets (liabilities)	\$ -	\$ -

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

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

	<b>2019</b>	<b>2018</b>	<b>Expiry date range</b>
Temporary Differences:			
Debt with accretion	-	-	No expiry
Non-capital losses available for future periods	13,703,000	11,227,000	
Canada	12,628,000	9,852,000	2035-2039
USA	648,000	1,308,000	2031-2039
Poland	391,000	67,000	2024
Share issuance and financing costs	1,190,000	1,691,000	2020-2023
Property and equipment	275,000	125,000	No expiry

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

**24. Financial Risk Management**

**Fair value of financial instruments**

The Company measures 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 consisting of accounts and other receivables, accounts payable and accrued liabilities, loans payable, and convertible notes 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.

Cash is classified as being at FVTPL. The fair value of cash as recorded in the consolidated statement of financial position is measured in accordance with Level 1 of the fair value hierarchy.

**Financial and capital risk management**

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

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

*Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. At June 30, 2019 and 2018, the Company was not subject to significant market risk, except as noted below.

*Foreign currency risk*

As at June 30, 2019 the Canadian dollar equivalent carrying values of the financial assets and liabilities denominated in foreign balances are as follows:

June 30,	US Dollars		Polish Zloty	
	2019	2018	2019	2018
<b>Financial Assets</b>				
Cash	\$ 2,900	\$ 43,443	\$ 20,919	\$ 65,854
Accounts receivable	245,102	178,883	-	-
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	\$ 107,141	\$ 87,806	\$ 27,994	\$ 51,772

The Company’s subsidiary, FlowWorks, operates in the United States which, from the perspective of the Company, creates currency risk associated with those operations. For the year ended June 30, 2019, FlowWorks has revenue of \$1,125,520 (2018 - \$1,111,681) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$112,000 (2018 - \$111,000) (Canadian dollar equivalent) change in profit or loss.

**24. Financial Risk Management** (continued)

**Financial and capital risk management** (continued)

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At June 30, 2019 and 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 and other receivables. The Company holds cash at a major Canadian chartered bank in a chequing account, a Washington State, USA bank, and a Polish bank.

The Company is exposed to credit risk on its trade accounts receivable. The Company's credit risk for accounts receivable is concentrated as 41% of its trades account receivable is owing from four customers (2018 – 43% from three customers), with more than 10% owing from two of those customers (2018 – one).

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 June 30, 2019 of \$2,759 (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 June 30, 2019 and will need to raise further financing to meet its financial obligations.

**25. 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 years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Canada	\$ 1,148,389	\$ 531,827
United States	509,037	727,085
	<b>\$ 1,650,426</b>	<b>\$ 1,258,912</b>

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**25. Segmented Information** (continued)

The following is a breakdown of the Company's revenues based upon reportable segment for the years ended June 30, 2019 and 2018:

	2019	2018
<b>Revenue</b>		
Data services	\$ 1,222,120	\$ 1,208,281
Data hosting	407,911	40,044
Digital currency verification	20,395	10,587
	<b>\$ 1,650,426</b>	<b>\$ 1,258,912</b>

**26. Subsequent Events**

Other than items disclosed elsewhere in the consolidated financial statements, subsequent to June 30, 2019, the Company:

- a) repurchased and returned to treasury 36,888 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder (note 5);
- b) received a loan of \$30,000 from an arm's-length party with maturity of December 31, 2019 bearing interest at a rate of 15% per annum;
- c) issued 1,000,000 in common shares to an arm's length party to settle accounts payable and accrued liabilities of \$100,000;
- d) completed a private placement whereby it issued a total of 4,000,000 common share units (each, a "Unit") at a price of \$0.20 per Unit for gross proceeds of \$800,000. Each Unit consisted of one common share and one half of one common share purchase warrant with each whole warrant entitling its holder to purchase one additional common share for a period of two years at a price of \$0.50 per common share. In connection with the offering, the Company paid a finder's fee of \$64,000;
- e) received subscriptions for an aggregate of \$300,000 in convertible notes. The notes will have a maturity of one year from issuance, bear interest at 12% and be convertible at \$0.30. As at the date of this report, the transaction has not closed and the notes have not been issued;
- f) entered into an agreement to acquire 100% of the outstanding shares of i4C Innovation Centre Inc. ("**i4C**"), a technology integration and collaboration company that holds the lease for the data center and sensor manufacturing facility for IIOT devices that Astra occupies. The agreement calls for Carl to issue 500,000 common shares to the sole shareholder of i4C and issue 210,000 common shares to an individual in settlement of a debt of \$10,000 owing by Astra and \$32,000 owing by i4C. If this transaction has not closed through the contemplated issuance of shares before October 31, 2019, the agreement will terminate; and
- g) repurchased and returned to treasury another 36,888 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder (note 5).