



**CARL DATA SOLUTIONS INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

## General

This Management's Discussion and Analysis ("MD&A") of CARL Data Solutions Inc. ("CARL," or the "Company") is dated November 30, 2020 and provides a review of the Company's financial results, from the viewpoint of management, for the period ended September 30, 2020 ("F2021- Q1") compared to the year ended June 30, 2020 ("F2020").

The following information should be read in conjunction with the Company's audited consolidated financial statements with accompanying notes as at and for the year ended June 30, 2020 and the Company's condensed consolidated interim financial statements for the period ended September 30, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Company are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate" and "believe", are intended to identify forward-looking statements. Such statements reflect the Company's "forecast", "estimate", "expectation" and similar expressions as they relate to the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions.

The forward-looking statements contained in this MD&A are made as of the date hereof and represent the Company's views as of the date of this document. While the Company believes that the expectations reflected in the forward-looking statements and information contained herein are reasonable, no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct. The Company acknowledges that subsequent events and developments may cause the views expressed herein to change, however, the Company has no intention and undertakes no obligation to update, revise or correct such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. Therefore, there can be no assurance that forward-looking statements contained herein will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## Description of Business

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

CARL is a public company that is listed on the Canadian Securities Exchange ("CSE") (under the symbol: CRL), the Frankfurt Stock Exchange (under the symbol: 7C5) and the OTC Pink (under the symbol: CDTAF). The head office and principal address of the Company is located at Suite 488 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The Company's consolidated financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
Extend to Social Media Inc. ("ETS")	British Columbia	100%
FlowWorks Inc. ("FlowWorks")	Washington, USA	100%
Carl Data Solutions PL ("Carl PL")	Poland	100%
i4C Innovation Inc. ("i4C")	British Columbia	100%
Astra Smart Systems Inc. ("Astra")	British Columbia	100%

CARL has spent the past year identifying, closing and integrating the Astra subsidiary into the core business which has been mainly the operations of FlowWorks. The strategy has been to build the internal development team to create the software platforms and build a world class technology team to create the infrastructure as a service layer including data center assets. This team has been sourced across three continents to attract the best talent available. CARL now has all the elements in place to successfully take on the Industrial Internet of things ("IIoT") space as required for smart cities.

The combined capabilities of the teams allow the Company to respond to the demands and visions of individual utilities within a smart city environment delivering smart water and waste solutions that not only harness the world of IIoT sensors and on site data loggers that are connected to the cloud, but also artificial intelligence algorithms and global predictive data to overlay future demands and imponderables such as weather fluctuations and product of service utilization.

This unique platform has now been adopted by numerous cities across the US and Canada and is performing well, collecting enormous data sets from CARL's own IIoT sensors and a myriad of third-party end point devices. Embedded within the platform is an anomaly detector that sifts out the erroneous or irrelevant data points that can easily create false negatives and mislead decision making. The clean and relevant data is then analysed, overlaying predictive artificial intelligence then presenting the new, real time data in an easy to interpret dashboard for rapid and collaborative decision making.

The addressable markets of water and waste are significant but with its new technology agnostic data gathering, analytics and artificial intelligence engine, the Company is in a good position for strong growth in the smart city and building sector.

### **Going Concern**

The Company's 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 audited consolidated financial statements. The Company's 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 September 30, 2020, the Company had not achieved profitable operations, had accumulated a deficit of \$20,619,270 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 events and conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Currently, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

### **Recent Events & Overall Performance**

#### ***Completed Private Placements and share issuances***

During and subsequent to the period ended September 30, 2020, the Company completed the following share transactions:

- (i) On August 5, 2020, settled a portion of convertible debt originally issued on July 28, 2019, with a value of \$19,333, inclusive of \$9,333 in accrued interest, by issuing 128,888 common shares.
- (ii) On October 2, 2020, the Company repurchased and returned to treasury 75,564 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with the former dissenting shareholder.

#### ***Disposal of Carl PL***

On September 16, the Company entered into an agreement to sell all of the issued and outstanding shares of Carl PL for \$1,000 with an effective date of April 1, 2020. The agreement remains unclosed as at the approval date of these financial statements.

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***Granting of Stock options***

On January 22, 2015, the Company adopted an incentive stock option plan. Under the terms of this plan, the total number of share purchase options to be granted and outstanding may not exceed 10% of the total issued and outstanding common shares of the Company at the date of grant. Options may be granted with an exercise price equal to the market price of the common shares less any permitted discount on the grant date, vest according to privileges set at the time the options, have a minimum price of \$0.10 and are granted and expire no later than five years from the date of grant.

During the period ended September 30, 2020, the Company did not grant any stock options. During the year ended June 30, 2020, the Company granted 500,000 stock options to a consultant with an exercise price of \$0.20 and expiration date of November 1, 2021. The options vested 100% on grant.

**Summary of Quarterly Results**

Key financial information for the quarters spanning the two most recent fiscal years is summarized as follows, reported in Canadian dollars:

	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Revenue	\$ 813,874	\$ 962,974	\$ 631,531	\$ 475,095
Operating expenses	1,059,331	1,345,178	1,149,108	1,276,573
Loss for the period	(202,900)	(867,047)	(545,589)	(966,248)
Basic and Diluted Loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Assets	1,782,913	2,857,168	3,546,572	3,696,614
Liabilities	3,079,685	3,963,057	4,405,091	4,177,095
Shareholders' Equity (Deficiency)	(1,296,772)	(1,105,889)	(858,519)	(480,481)
	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Revenue	\$ 464,347	\$ 398,943	\$ 334,801	\$ 450,220
Operating expenses	1,443,626	1,313,245	1,054,703	1,247,536
Loss for the period	(979,279)	(912,340)	(718,410)	(808,207)
Basic and Diluted Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Assets	3,437,410	3,122,044	3,383,664	3,755,001
Liabilities	3,094,828	2,635,291	1,985,785	1,708,767
Shareholders' Equity (Deficiency)	342,582	486,753	1,397,879	2,046,234

**Discussion of First Quarter Operations**

***Revenue***

For the period ended September 30, 2020, the Company generated \$813,874 in revenues (2019 - \$464,347) of which \$365,079 (2019 - \$304,593) related to revenue generated by FlowWorks, \$410,145 related to revenue general by CARL (2019 - \$nil), \$24,150 (2019 - \$24,150) related to revenue generated by ETS, and \$nil (2019 - \$135,604) related to revenue generated by Astra. Revenue for projects historically attributed to Astra have been moved to Carl in the current fiscal year. Revenue from FlowWorks is comprised of service fees from its web-based application used for data analysis in addition to set-up fees and custom programming service contracts. The Company continued its focus on growing the FlowWorks customer base and saw growth of 20% for the period ended September 30, 2020. The parent company commenced its work on a project with Canada's Technology Supercluster (the "Supercluster") during the latter half of the year ended June 30, 2020 and expects continued growth of revenue as the project continues, which is expected to reach a conclusion in March 2021.

***Operating Expenses and Other Items***

Operating expenses and other items with significant variances and balances include:

*Amortization*

Amortization for the period ended September 30, 2020 was \$119,627 (2019 – \$181,787). The amortization expense for the period ended September 30, 2020 has decreased from the prior period, because during the fourth quarter of the year ended June 30, 2020, the Company made the decision to write-off its intangible asset for the preferential lease and accordingly recognized an impairment expense of \$528,749. For this reason, the amortization expense is expected to be lower in the current and future periods.

*Computer Hosting Costs*

Computer hosting costs for the period ended September 30, 2020 were \$57,112 (2019 – \$225,113). The decrease in hosting costs was a result of a project undertaken by the Company to streamline the use of third-party hosting services which lowered the monthly costs.

*Consulting fees*

Consulting fees for the period ended September 30, 2020 were \$169,227 (2019 – \$120,095). Consulting fees are primarily used for contracts with software developers and for management and movement between the two years is considered reasonable and resulted from increases in work mostly related to the Supercluster project.

*Depreciation*

Depreciation for the period ended September 30, 2020 was \$82,267 (2019 – \$79,759) and was considered comparable, period over period.

*Energy Costs*

Energy costs for the period ended September 30, 2020 were \$16,069 (2019 - \$80,083). The Company did not provide data hosting services during the period ended September 30, 2020 and consequently saw a significant decrease in energy costs at its Trail, BC facility. Effective September 30, 2020, the Company has terminated its lease for the Trail, BC facility and accordingly will see continued decreases to energy costs in future periods.

*Interest*

Interest for the period ended September 30, 2020 were \$40,012 (2019 – \$35,947). During the current period the Company started recognizing interest on convertible notes that matured in August and September 2020, which resulted in an increase to interest recognized as compared to the prior year.

*Investor Relations*

Investor relations expense for the period ended September 30, 2020 were \$212,500 (2019 – \$227,525). During the current period, the Company entered into a large investor relations contract to promote its stock and maintain its market presence.

*Office and miscellaneous*

Office and miscellaneous costs for the period ended September 30, 2020 were \$25,192 (2019 – \$42,797). The costs are largely in line period over period but decreased substantially while a majority of staff and consultants worked from home for the quarter due to the COVID-19 global pandemic.

*Professional fees*

Professional fees for the period ended September 30, 2020 were \$32,564 (2019 – \$45,965). Professional fees decreased over the prior period as the Company had fewer legal and accounting requirements during the current period.

#### *Share-based payments*

Share-based payments for the period ended September 30, 2020 were \$nil (2019 – \$18,051). The expense relates primarily to stock options granted and vested during previous periods and are not expected to be comparable over the periods as the expense is dependent on the timing of grants and vesting schedules.

#### *Salaries and wages*

Salaries and wages for the period ended September 30, 2020 were \$232,743 (2019 – \$266,278). The decrease in salaries and wages is primarily a result of streamlining work within the Company and the discontinuance of operations in the Trail, BC facility.

#### *Travel*

Travel expenses for the period ended September 30, 2020 were \$2,963 (2019 – \$33,592). The decrease primarily related to the Company discontinued all travel due to the COVID-19 global pandemic.

### **Operating Activities and Plans**

#### *Company Structure*

After the successful acquisition of Astra and i4C, CARL has been divided into 3 complimentary business units based in the interior of British Columbia (Canada), Burnaby (Canada), and Gdansk (Poland);

- 1) Hardware research and development are based in the interior of British Columbia with staff working from their homes, where the Company is actively pursuing grants to complete specialty components that will help secure data services contracts with existing and new customers.
- 2) Data science is subcontracted to consultants outside of the Company for cost savings.
  - The consulting group has successfully completed a key piece of infrastructure that will allow very advanced statistical modelling tools to be used not only in the applications that CARL produces, but also by customers through a web service. This allows the features to be used in other applications and allows the Company to charge for services on a transaction basis. Since this model does not include user interface development, it has a high profit margin.
  - Because artificial intelligence, machine learning and other statistical services are now separated from application development, The consultants can operate without dependency on the Software as a Solution (“SaaS”) based application developers which decreases the time needed to get advanced features to market.
- 3) Application development is based in the Burnaby head office. In Burnaby the Company has a talented group of software engineers who continue to improve and expand on its core SaaS based application, FlowWorks.
  - The application has been significantly upgraded to allow inclusion of governments or companies with extremely high volumes of data to be accommodated.
  - Nearly unlimited cloud-based scalability means there are no ceilings for the size and number of clients that the Company can target.
  - The Company’s developers have ensured that the platform can accommodate all types of time series data from virtually any device or data source. From images to stream flow to slope stability, FlowWorks can handle all of it.
  - The updates allow the Company to pursue a variety of clients from different industry verticals.

#### *Moving Forward*

CARL is actively targeting clients in many industrial market verticals. As IIoT explodes with new devices producing data, CARL is ready to be the go-to platform for data storage and analysis. The Company anticipates enormous growth in the “Smart Cities” market, with aging infrastructure, cities, mines, and utilities are scrambling to get a better idea of where upgrades and improvements are required. CARL’s platform provides answers in real-time to decision makers who need to make decisions on capital projects. The Company’s predictive analytics features can help identify events that may significantly impact valuable assets. By including hardware into the product mix, CARL is ready to deliver cost effective end-to-end solutions to a massive emerging market.

### **Liquidity and Capital Resources**

During the period ended September 30, 2020 the Company's operating activities generated \$177,311 (2019 – required \$813,981) in cash. The inflow in cash was primarily related to collections of accounts receivable and lower cash outflows on expenditures.

The Company's cash as at September 30, 2020 was \$210,270 (June 30, 2020 - \$94,543) and the Company's working capital deficiency was \$1,856,343 (June 30, 2020 – \$1,930,820).

### ***Financing Activities***

During the period ended September 30, 2020, the Company required \$61,684 for financing activities (2019 - \$974,089 generated from). The Company's outflow included \$44,251 (2019 \$31,032) in payments towards lease liabilities, \$11,667 (2019 - \$nil) in repayments toward convertible notes, and \$5,766 (2019 - \$nil) in payments toward loans payable. During the comparative period the Company generated proceeds of \$736,000 from private placements, \$250,000 from the issuance of convertible notes, and \$30,000 from loans received and repurchased common shares from a shareholder at a cost of \$10,879.

### ***Investing Activities***

The Company did not have any investing activities for the periods ended September 30, 2020 and 2019.

### **Capital Structure**

As at the date of this MD&A, the Company has 87,002,286 common shares, 2,000,000 warrants, and 6,247,247 stock options outstanding.

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

Cash is classified as being at fair value through profit or loss. The fair value of cash 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:

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*Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. At September 30, 2020 and June 30, 2020, the Company was not subject to significant market risk.

*Foreign currency risk*

As at September 30, 2020 the Canadian dollar equivalent carrying values of the financial assets and liabilities denominated in foreign balances are as follows:

September 30,	US Dollars		Polish Zloty	
	2020	2019	2020	2019
<b>Financial Assets</b>				
Cash	\$ 35,514	\$ 24,198	\$ -	\$ 18,561
Accounts receivable	295,946	271,110	-	-
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	\$ 74,877	\$ 69,281	\$ 18,113	\$ 27,356

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 period ended September 30, 2020, FlowWorks has revenue of \$365,079 (2019 - \$304,593) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$36,000 (2019 - \$30,000) (Canadian dollar equivalent) change in profit or loss.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At September 30, 2020 and June 30, 2020, 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 notes, which bear interest at a fixed rate.

*Credit Risk*

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and accounts 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 52% of its trades account receivable is owing from four customers (June 30, 2020 – 50% from four customers), with more than 10% owing from one of those customers (June 30, 2020 – 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 receivable aged past 90 days and has estimated expected credit losses at September 30, 2020 of \$11,906 (June 30, 2020 - \$12,681).

*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 Company has limited working capital at September 30, 2020 and will need to raise further financing to meet its financial obligations.



**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Related Party Transactions**

The Company had previously 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 paid the company a total of \$11,667 per month. Effective July 1, 2019, the Company replaced this agreement with a new agreement whereby, the Company will pay monthly consulting fees of \$13,400. The new agreement has no fixed terms and includes a termination benefit equal to twelve months of pay.

During the period ended September 30, 2020, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 400,000	\$ -	\$ 400,000
Chief Financial Officer	18,000	-	18,000
Non-executive Directors	13,500	-	13,500
<b>Total</b>	<b>\$ 71,500</b>	<b>\$ -</b>	<b>\$ 71,500</b>

During the period ended September 30, 2019, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 40,200	\$ 4,518	\$ 44,718
Chief Financial Officer	17,000	-	17,000
Non-executive Directors	-	4,822	4,822
<b>Total</b>	<b>\$ 57,200</b>	<b>\$ 9,340</b>	<b>\$ 66,540</b>

Included in accounts payable and accrued liabilities is \$225,508 (June 30, 2020 - \$257,749) due to officers and directors.

On June 9, 2014, ETS signed a referral services agreement with RA Revenue Automation Inc. ("RA") whereby RA agreed to use ETS as its exclusive referral marketing application and include the concept in all relevant business development pitches to customers. A company controlled by the Company's CEO owns 10% of RA. Revenue of \$24,150 (2019 - \$24,150) recorded in profit or loss is from RA. As at September 30, 2020, \$33,810 (June 30, 2020 - \$25,358) was owed from RA.

*Kerr Wood Leidal Associates Ltd. ("KWL")*

KWL, a consulting engineering company, founded and created FlowWorks and is related through a director of the Company. During the period ended September 30, 2020, the Company earned sales revenue from KWL of \$42,700 (2019 - \$30,875) and incurred expenses from KWL of \$18,084 (2019 - \$8,212). Included in accounts receivable as at September 30, 2020 is a balance owing from KWL of \$14,806 (2019 - \$31,957). Included in accounts payable and accrued liabilities as at September 30, 2020 is a balance owing to KWL of \$39,553 (June 30, 2020 - \$26,557).

**Proposed Transactions**

There are no proposed transactions for the period ended September 30, 2020 outside of those identified in this document.

**Subsequent Events**

Subsequent to September 30, 2020 the Company:

- a. repurchased and returned to treasury 75,564 common shares at a price of US\$0.225 per share pursuant to a settlement agreement entered with a former dissenting shareholder; and
- b. entered into an agreement to sell all of the issued and outstanding shares of Carl PL for \$1,000. The agreement remains unclosed as at the approval date of these financial statements.

### **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 acquired businesses. 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.

### **New standards and interpretations adopted**

There were no new standards or interpretations adopted during the period ended September 30, 2020.

### **Future Changes in Accounting Policies**

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

### **Risk Factors**

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

#### *Capitalization and Commercial Viability*

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

#### *History of Operating Losses*

The Company has an accumulated deficit since its incorporation through September 30, 2020 of \$20,619,270. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

#### *General Economic Conditions*

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

*Key Employees*

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

*New Market Risk*

The Company is operating in a large market but is providing a previously unavailable service. The Company faces uncertainty as to the degree of new and continuing market acceptance of its products. The performance of the Company also depends on the performance of agencies that the Company partners with along with their end customers.

*Customer Risks*

The Company is dependent on proper pricing of products, reporting of successful results of referral campaigns and timely collection of customer accounts. The Company is also dependent on its ability to ensure that their customers operate within the terms of its service agreements.

*Intellectual Property Risks*

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

*Reliance on Information Systems and Technology*

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

*Reliance on Third Party Licenses*

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

*Risk Associated with International Operations*

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

*Expansion*

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

*Available Workforce*

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