



CARL DATA SOLUTIONS INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2020**

**(Unaudited)
(Expressed in Canadian Dollars)**

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

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

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

The Company’s independent auditor, Baker Tilly WM LLP, has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity’s auditor.

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
Presented in Canadian Dollars - unaudited

As at	December 31, 2020	June 30, 2020
ASSETS		
Current Assets		
Cash	\$ 320,744	\$ 94,543
Accounts and other receivables (note 5)	640,623	662,455
Digital currencies (note 6)	1,568	519
Prepaid expenses	49,569	106,270
	1,012,504	863,787
Non-Current Assets		
Property, equipment, and right-of-use assets (note 7)	451,875	1,478,917
Intangible assets (note 8)	183,237	395,689
Goodwill	118,775	118,775
Total Assets	\$ 1,766,391	\$ 2,857,168

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current Liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 1,262,909	\$ 975,091
Current portion of lease liabilities (note 10)	98,121	244,431
Deferred revenue	-	21,750
Current portion of loans payable (note 11)	881,882	798,716
Convertible notes (note 12)	640,625	754,619
	2,883,537	2,794,607
Lease liabilities (note 10)	43,857	903,450
Loans payable (note 11)	265,411	265,000
Total Liabilities	3,192,805	3,963,057
Shareholders' Deficiency		
Share capital (note 13)	17,132,168	17,135,464
Reserves (notes 12 and 15)	2,102,722	2,028,880
Shares subscriptions received in advance (note 21)	350,000	-
Equity conversion feature on convertible note (note 12)	68,891	92,409
Accumulated other comprehensive income	34,176	53,728
Deficit	(21,114,371)	(20,416,370)
	(1,426,414)	(1,105,889)
Total Liabilities and Shareholders' Deficiency	\$ 1,766,391	\$ 2,857,168

Description of Business and Going Concern (note 1)

Subsequent Events (note 21)

APPROVED ON BEHALF OF THE BOARD ON MARCH 1, 2021

"Kevin Ma"
Director

"Chris Johnston"
Director

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

CARL DATA SOLUTIONS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

Presented in Canadian Dollars - unaudited

	Three months ended December 31, 2020	Three months ended December 31, 2019	Six months ended December 31, 2020	Six months ended December 31, 2019
Revenue				
Data services	\$ 634,294	\$ 313,341	\$ 1,385,851	\$ 631,803
Data hosting	-	66,134	-	187,261
Social referral software	31,399	36,233	70,049	60,383
Sale of environmental sensors	-	56,907	-	56,907
Custom programming service contracts	8,155	2,480	31,822	3,088
	673,848	475,095	1,487,722	939,442
Expenses				
Accretion of convertible note (note 12)	22,050	40,510	82,501	83,978
Amortization (note 8)	91,390	181,797	211,017	363,584
Bad debts (recovery) (notes 5 and 19)	(73)	2,366	(578)	11,695
Computer hosting costs	197,934	91,567	255,046	316,680
Consulting (note 18)	386,670	263,417	555,897	383,512
Depreciation (note 7)	48,133	89,705	130,400	169,464
Energy costs	-	73,774	16,069	153,857
Filing and transfer agent	8,446	8,033	12,421	24,014
Foreign exchange (gain) loss	(12,890)	4,537	(15,257)	3,215
Interest and penalties (notes 11 and 12)	43,848	29,332	83,860	65,279
Investor relations	3,900	22,862	216,400	250,387
Marketing	930	2,541	5,555	13,689
Materials and supplies	-	12,678	-	12,678
Occupancy	3,181	2,790	6,057	10,820
Office and miscellaneous	32,458	39,414	57,650	82,211
Professional fees	105,408	109,460	137,972	155,425
Share-based payments (notes 15 and 18)	50,324	52,368	50,324	70,419
Salaries and wages	171,270	233,072	404,013	499,350
Travel	13,307	16,350	16,270	49,942
	1,166,286	1,276,573	2,225,617	2,720,199
Operating loss	(492,438)	(801,478)	(737,895)	(1,780,757)
Other items				
Lease accretion (note 10)	(3,712)	(22,211)	(32,105)	(33,703)
Financing costs	-	(150,455)	-	(150,455)
Gain on termination of lease liabilities (note 10)	-	5,759	52,942	5,759
Gain on settlement of debt (note 13(b))	-	2,250	-	7,250
Property and equipment written off	-	-	(5,906)	-
Recovery on write-off of accounts payable	-	-	23,914	-
Revaluation of digital currencies (note 6)	1,049	(113)	1,049	(332)
Loss for the period	(495,101)	(966,248)	(698,001)	(1,952,238)
Other comprehensive income				
Foreign exchange loss on translation of subsidiary	(12,236)	(8,569)	(19,552)	(4,922)
Comprehensive loss for the period	\$ (507,337)	\$ (974,817)	\$ (717,553)	\$ (1,957,160)
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	87,003,929	82,153,774	87,015,672	80,830,077
Loss Per Share				
Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)

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

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Presented in Canadian Dollars – unaudited

For the six months ended	December 31, 2020	December 31, 2019
Cash Flows provided by (used in) Operating Activities		
Loss for the period	\$ (698,001)	\$ (1,952,238)
Non-cash items		
Amortization	211,017	363,584
Accretion on convertible notes	82,501	83,978
Accretion on lease liabilities	32,105	33,703
Interest expense	78,957	52,624
Property and equipment written off	5,906	-
Depreciation	130,400	169,464
Gain on settlement of debt	-	(7,250)
Gain on termination of lease liabilities	(52,942)	(5,759)
Revaluation of digital currencies	(1,049)	332
Share-based payments	50,324	70,419
Recovery on write-off of accounts payable	(23,914)	-
Changes in non-cash working capital items:		
Accounts and other receivables	489	(55,396)
Prepaid expenses	32,676	299,512
Deferred revenue	(21,750)	60,167
Accounts payable and accrued liabilities	317,000	11,793
	143,719	(875,067)
Cash Flows (used in) provided by Financing Activities		
Acquisition of i4C Innovation Centre Inc.	-	6,410
	-	6,410
Cash Flows provided by Financing Activities		
Net proceeds from private placements	-	736,000
Proceeds from share subscriptions received in advance	350,000	-
Proceeds from warrant exercises	-	264
Repurchase of common shares	(22,629)	(21,807)
Proceeds from convertible note	-	300,000
Payment towards lease liabilities	(71,005)	(66,888)
Repayment of convertible note	(204,000)	(62,667)
Proceeds from loans payable	40,000	30,000
Repayment of loans payable	(8,542)	-
	83,824	914,902
Effect of foreign exchange on cash	(1,342)	(3,167)
Change in cash during the period	226,201	43,078
Cash – beginning of period	94,543	30,829
Cash – end of period	\$ 320,744	\$ 73,907

Supplemental Cash Flow Information (see note 17)

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

CARL DATA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
Presented in Canadian Dollars - unaudited

	Share Capital			Reserves	Equity feature on convertible note	Subscriptions received in advance	Commitment to issue shares	Accumulated other comprehensive gain (loss)	Deficit	Total
	Shares	Amount								
Balance – June 30, 2019	76,734,510	\$ 15,825,300	\$ 1,579,170	\$ 90,206	\$ -	\$ 10,000	\$ 40,284	\$ (17,058,207)	\$ 486,753	
Net comprehensive loss for the period	-	-	-	-	-	-	(4,922)	(1,952,238)	(1,957,160)	
Shares issued for:										
Private placement (note 13)	4,000,000	480,000	320,000	-	-	-	-	-	800,000	
Warrant exercises (note 13)	660	264	-	-	-	-	-	-	264	
Debt settlement (note 13)	1,210,000	127,550	-	-	-	-	-	-	127,550	
Acquisition of i4C Innovation Inc. (notes 4 and 13)	500,000	77,500	-	-	-	-	-	-	77,500	
Settlement of convertible note (notes 12 and 13)	-	-	2,564	(2,564)	-	-	-	-	-	
Share issuance costs (note 13)	-	(64,000)	-	-	-	-	-	-	(64,000)	
Shares repurchased (note 13)	(73,776)	(21,807)	-	-	-	-	-	-	(21,807)	
Share-based payments (note 15)	-	-	70,419	-	-	-	-	-	70,419	
Balance – December 31, 2019	82,371,394	16,424,807	1,972,153	87,642	-	10,000	35,362	(19,010,445)	(480,481)	
Net comprehensive loss for the period	-	-	-	-	-	-	18,366	(1,405,925)	(1,387,559)	
Shares issued for:										
Private placement (note 13)	250,000	50,000	-	-	-	-	-	-	50,000	
Option exercises (note 13)	413,637	73,567	(26,567)	-	-	-	-	-	47,000	
Debt settlement (notes 4, 11)	1,549,415	232,413	-	-	-	-	-	-	232,413	
Shares issued for loan transaction fee (notes 11 and 13)	64,516	9,677	-	-	-	(10,000)	-	-	(323)	
Settlement of convertible note (notes 12 and 13)	2,300,000	345,000	83,294	(83,294)	-	-	-	-	345,000	
Issuance of convertible notes (note 12)	-	-	-	88,061	-	-	-	-	88,061	
Balance – June 30, 2020	86,948,962	17,135,464	2,028,880	92,409	-	-	53,728	(20,416,370)	(1,105,889)	
Net comprehensive loss for the period	-	-	-	-	-	-	(19,552)	(698,001)	(717,553)	
Shares issued for:										
Settlement of convertible note (notes 12 and 13)	128,888	19,333	23,518	(23,518)	-	-	-	-	19,333	
Shares repurchased (note 13)	(75,564)	(22,629)	-	-	-	-	-	-	(22,629)	
Share based payments	-	-	50,324	-	-	-	-	-	50,324	
Subscriptions received in advance	-	-	-	-	350,000	-	-	-	350,000	
Balance – December 31, 2020	87,002,286	\$ 17,132,168	\$ 2,102,722	\$ 68,891	\$ 350,000	\$ -	\$ 34,176	\$ (21,114,371)	\$ (1,426,414)	

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

CARL DATA SOLUTIONS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2020

Presented in Canadian Dollars - unaudited

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 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 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%

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2020, the Company had not achieved profitable operations, had accumulated a deficit of \$21,114,371 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 its 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.

COVID-19

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.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company.

2. Basis of Preparation (continued)

Significant accounting judgments, estimates, and assumptions

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported revenues and expenses during the year. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of CARL and its controlled and wholly-owned subsidiaries ETS, FlowWorks, Astra, i4C 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. i4C and 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.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed, and any non-controlling interest are recognized and measured at their fair value at the date of acquisition. Any excess of the purchase price plus any non-controlling interest over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price over the fair value of the net assets acquired is credited to profit or loss as a gain on bargain purchase. Transaction costs associated with a business combination are expensed as incurred.

3. Significant Accounting Policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended June 30, 2020 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

4. Acquisition of i4C

On October 29, 2019, the Company completed the acquisition of i4C pursuant to the terms of a securities exchange agreement between CARL, i4C and the sole shareholder of i4C. CARL acquired 100% of the outstanding common shares of i4C in exchange for 500,000 common shares of the Company issued to the sole shareholder of i4C (note 13) and agreed to issue 210,000 common shares in satisfaction of \$32,000 in loans owing to the shareholder in i4C and \$10,000 in accounts payable and accrued liabilities recognized in Astra to a vendor related to the sole shareholder of i4C.

i4C is a technology integration and collaboration company that holds the lease for the data center and sensor manufacturing facility for IIOT devices that Astra subleased up to the date of acquisition. On acquisition and consolidation, the Company has derecognized its existing sub-lease obligation between Astra and i4C of \$222,242 (note 10) and right-of-use asset of \$196,009 (note 7). As at the date of acquisition, \$99,714 was owed from Astra to i4C and has been forgiven.

CARL DATA SOLUTIONS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2020
Presented in Canadian Dollars - unaudited

4. Acquisition of i4C (continued)

i4C did not have any business activity outside of the lease for the data center and sensor manufacturing facility that it had subleased to Astra. Accordingly, the Company determined that the acquisition did not constitute a business combination under IFRS 3. The excess of the purchase price over net assets acquired has been applied to i4C's right-of-use asset. The following table summarizes the consideration paid, the relative fair value of the assets acquired, and the liabilities assumed:

Purchase price consideration	
Value of 500,000 common shares issued at \$0.155	\$ 77,500
Assets and liabilities acquired	
Cash	\$ 6,410
Accounts receivable	100,354
Prepaid expenses	522
Property, equipment, and right-of-use assets	1,027,772
Accounts payable and accrued liabilities	(146,095)
Lease liabilities	(911,463)
Total purchase price allocated	\$ 77,500

5. Accounts and Other Receivables

	December 31, 2020	June 30, 2020
Gross trade accounts receivable	\$ 558,490	\$ 637,762
Less: allowance for doubtful accounts	(11,314)	(12,681)
Net trade accounts receivable	547,176	625,081
GST receivable	93,447	37,374
	\$ 640,623	\$ 662,455

Reconciliation of allowance for doubtful accounts is as follows:

	December 31, 2020	June 30, 2020
Balance – beginning of period	\$ 12,681	\$ 2,759
Allowance provided for doubtful accounts	-	32,915
Bad debts written off	-	(22,993)
Recovery	(1,367)	-
Balance – end of period	\$ 11,314	\$ 12,681

6. Digital Currencies

As at December 31, 2020, the Company's digital currencies had a fair value of \$1,568. Digital currencies are carried at their fair value determined using the closing spot price of the coin at the reporting date, based on prices available on www.cryptocompare.com. The Company's holdings of digital currencies consist of the following:

CARL DATA SOLUTIONS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2020
Presented in Canadian Dollars - unaudited

6. Digital Currencies (continue)

	December 31, 2020	June 30, 2020
Ethereum	\$ 1,568	\$ 519
	\$ 1,568	\$ 519

The continuity of digital currencies was as follows:

	December 31, 2020	June 30, 2020
Balance – beginning of the period	\$ 519	\$ 615
Digital currency mined	-	-
Digital currency sold	-	-
Digital currency written off	-	-
Revaluation adjustment	1,049	(96)
	\$ 1,568	\$ 519

7. Property, Equipment, and Right-of-Use Assets

	Machinery and equipment	Computer equipment	Furniture and fixtures	Right-of-Use Assets	Digital currency processors	Total
Cost						
Balance – June 30, 2019	102,790	12,274	391,546	-	291,337	797,947
Adoption of IFRS 16	-	-	-	480,893	-	480,893
Modification of lease liabilities	-	-	-	7,331	-	7,331
Acquired on acquisition of i4C	-	1,789	11,220	1,014,763	-	1,027,772
Derecognized (note 4)	-	-	-	(222,143)	-	(222,143)
Balance – June 30, 2020	102,790	14,063	402,766	1,280,844	291,337	2,091,800
Derecognized (note 10)	-	-	-	(1,014,763)	-	(1,014,763)
Written-off	-	-	(7,173)	-	-	(7,173)
Balance – December 31, 2020	102,790	14,063	395,593	266,081	291,337	1,069,864
Accumulated Depreciation						
Balance – June 30, 2019	43,374	4,566	80,475	-	150,745	279,160
Depreciation	17,825	2,670	63,710	205,355	70,297	359,857
Derecognized (note 4)	-	-	-	(26,134)	-	(26,134)
Balance – June 30, 2020	61,199	7,236	144,185	179,221	221,042	612,883
Depreciation	6,239	1,024	25,548	80,015	17,574	130,400
Derecognized (note 10)	-	-	-	(124,027)	-	(124,027)
Written-off	-	-	(1,267)	-	-	(1,267)
Balance – December 31, 2020	67,438	8,260	168,466	135,209	238,616	617,989
Balance – June 30, 2020	\$ 41,591	\$ 6,827	\$ 258,581	\$ 1,101,623	\$ 70,295	\$ 1,478,917
Balance – December 31, 2020	\$ 35,352	\$ 5,803	\$ 227,127	\$ 130,872	\$ 52,721	\$ 451,875

CARL DATA SOLUTIONS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2020
Presented in Canadian Dollars - unaudited

8. Intangible assets

	FlowWorks Software Application	FlowWorks Customer List	Electrical Systems Certification	Control System Source Code	Augmented Business Intelligence Software	Environmental Sensor Firmware	Preferential Lease	Total
Cost								
Balance – June 30, 2018 and 2019	\$ 675,234	\$ 659,154	\$ 23,500	\$ 56,000	\$ 540,697	\$ 181,133	\$ 1,079,994	\$ 3,215,712
Impairment	-	-	-	-	-	-	(1,079,994)	(1,079,994)
Balance – June 30, 2020 and December 31, 2020	675,234	659,154	23,500	56,000	540,697	181,133	-	2,135,718
Accumulated Amortization								
Balance – June 30, 2019	539,359	492,587	12,402	29,556	187,741	-	281,247	1,542,892
Amortization	95,867	136,737	7,833	18,667	180,232	60,378	269,998	769,712
Impairment	-	-	-	-	-	-	(551,245)	(551,245)
Balance – June 30, 2020	635,226	629,324	20,235	48,223	367,973	60,378	-	1,761,359
Amortization	47,933	41,800	3,265	7,777	90,116	20,126	-	211,017
Balance – December 31, 2020	683,159	671,124	23,500	56,000	458,089	80,504	-	1,972,376
Cumulative Translation Adjustment								
Balance – June 30, 2019	7,925	8,227	-	-	-	-	-	16,152
Foreign currency translation	-	5,178	-	-	-	-	-	5,178
Balance – June 30, 2020	7,925	13,405	-	-	-	-	-	21,330
Foreign currency translation	-	(1,435)	-	-	-	-	-	(1,435)
Balance – December 31, 2020	7,925	11,970	-	-	-	-	-	19,895
Balance – June 30, 2020	\$ 47,933	\$ 43,235	\$ 3,265	\$ 7,777	\$ 172,724	\$ 120,755	\$ -	\$ 395,689
Balance – December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ 82,608	\$ 100,629	\$ -	\$ 183,237

CARL DATA SOLUTIONS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2020

Presented in Canadian Dollars - unaudited

8. Intangible assets (continued)

FlowWorks Software Application

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. During the period ended December 31, 2020, the software had been fully amortized.

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 and was fully amortized during the period ended December 31, 2020.

Electrical Systems Certification

The electrical systems certification is comprised of the fair value of a global production electrical systems certification acquired during the year ended June 30, 2018. The asset is a finite life asset and is being amortized over a 3-year term and was fully amortized during the period ended December 31, 2020.

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. The asset is a finite life asset and is being amortized over a 3-year term and was fully amortized during the period ended December 31, 2020.

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. The asset is a finite life asset and is being amortized over a 3-year term, with approximately 0.50 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. The asset is a finite life asset and is being amortized over a 3-year term, with approximately 1.75 years remaining unamortized, as these assets were not put into use until the first quarter of the year ended June 30, 2020.

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. The agreement included 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 was being amortized over a 4-year term. During the year ended June 30, 2020, the Company assessed that the asset was impaired and wrote the balance of \$528,749 off.

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9. Accounts Payable and Accrued Liabilities

	December 31, 2020		June 30, 2020
Trade accounts payable	\$ 963,106	\$	661,062
Due to related parties (note 18)	291,803		257,749
Accrued liabilities	8,000		56,280
	\$ 1,262,909	\$	975,091

10. Lease Liabilities

As at June 30, 2020 the Company had two leases with remaining expected payments of \$1,503,548 that had been discounted using a present value of 10%. During the period ended September 30, 2020, the Company entered into an agreement to terminate one of its leases. In association with the termination, the Company recognized a decrease of \$943,678 to lease liabilities, \$890,736 to right-of-use assets, and a corresponding gain of \$52,942 to comprehensive loss.

The following summarizes the undiscounted minimum lease payments under the lease liabilities as at December 31, 2020:

Fiscal year	Payment
2021	\$ 53,506
2022	98,094
Effect of discounting at the incremental borrowing rate	(9,621)
Total lease liabilities at December 31, 2020	\$ 141,978

Lease liabilities	December 31, 2020		June 30, 2020
Balance, opening	\$ 1,147,881	\$	480,893
Acquired on acquisition of i4C	-		911,463
Lease accretion	32,105		89,127
Lease payments	(94,330)		(118,691)
Adjustment on modification of lease	-		7,331
Derecognized	(943,678)		(222,242)
Balance, closing	141,978		1,147,881
Current lease liabilities	(98,121)		(244,431)
Non-current lease liabilities	\$ 43,857	\$	903,450

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11. Loans Payable

	December 31, 2020	June 30, 2020
Balance – beginning of period	\$ 1,063,716	\$ 744,701
Advances of loans	40,000	320,000
Interest and fees accrued	52,119	91,028
Repayments – cash	(8,542)	(12,130)
Settlements – shares issued (note 13)	-	(79,883)
Balance – end of period	1,147,293	1,063,716
Current portion	(881,882)	(798,716)
Non - current portion	\$ 265,411	\$ 265,000

During the period ended December 31, 2020, i4C received the \$40,000 CEBA with the same terms as the one received by CARL during the year ended June 30, 2020, as discussed below.

During the year ended June 30, 2020, the Company entered into the following unsecured loan agreements:

- a) \$30,000 was received from an arm’s-length party on July 3, 2019. In connection with the loan, the Company must pay 15% simple interest per annum;
- b) \$250,000 was received from an arm’s-length party. In connection with the loan, the Company must pay 8% simple interest per annum; and
- c) As part of the Government of Canada’s response to the COVID-19 global pandemic, certain businesses are eligible to apply for the Canada Emergency Business Account (the “CEBA”). The CEBA provides companies with a \$40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the period, the Company applied for the CEBA and received the \$40,000 loan. The CEBA remains interest free until December 31, 2022 and has no fixed repayment schedule. If \$30,000 is repaid on or before December 31, 2022, the remaining \$10,000 will be forgiven. If at December 31, 2022, any amount remains unpaid, the Company will enter into an extension agreement whereby it will accrue interest at a rate of 5% per annum, with a repayment schedule to be determined at that time.

12. 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. 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 was recorded in prepaid expenses, which was recognized to loss and comprehensive loss on extinguishment during the year ended June 30, 2020. 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 profit or loss as a result of the conversion. In connection with the conversion, the Company was required to issue 400,000 common shares to the holder with a fair value of \$156,000 to settle amounts payable of \$136,000. The 400,000 common shares issued represent the balance of the bonus shares not issued during fiscal 2016.

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12. Convertible Notes (continued)

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. 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 was included in prepaid expenses until extinguishment during the year ended June 30, 2020.

On the repayment of \$475,000 on June 29, 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 December 31, 2019, the Company had not initiated any further issuances of the convertible notes from this facility. During the year ended June 30, 2020, the Company closed the facility by repaying the final \$10,000 owing. Upon extinguishment, the Company reclassified \$1,477 relating to the equity component of the settled notes from equity conversion feature on convertible note to reserves.

Separate from the above noted credit facility, during the years ended June 30, 2020 and 2019, the Company issued the following convertible notes that remaining outstanding:

- a) Five convertible debentures for an aggregate issuance of \$300,000, bearing interest at a rate of 12% per annum and maturing between August 20, 2020 and September 25, 2020. The principal and interest, at the option of the holders, will be convertible into common shares of the Company at a conversion price of \$0.30 per common share. The Company recognized an equity component of \$41,538 on the convertible debentures. During the period ended December 31, 2020, the Company made total payments on these debentures of \$86,000 representing \$50,000 in principal settlements and \$36,000 in interest payments. On Settlement of the \$50,000 principal, the Company reclassified \$6,923 relating to the equity component of the settled note from equity conversion feature on convertible note to reserves;
- b) \$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. On December 24, 2019, the maturity of the convertible note was extended to December 24, 2020. The extension was considered an extinguishment and reissuance of the convertible note. The Company recognized a new equity component on the reissued convertible note of \$46,523. During the period ended December 31, 2020, the Company made a \$100,000 principal payment and reclassified \$15,508 relating to the equity component of the settled portion of the note from equity conversion feature on convertible note to reserves;
- c) \$300,000 in settlement of loans payable (note 11), 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. During the year ended June 30, 2020, this note was settled with included interest of \$45,000 by the issuance of 2,300,000 common shares;
- d) \$70,000, bearing interest at a rate of 20% 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. During the year ended June 30, 2020, the maturity of the facility was extended, and the interest rate increased to 40% per annum. During the year ended June 30, 2020 a total of \$47,167 in repayments was made which comprised \$30,000 in principal repayment and \$17,167 in interest. Upon repayment of principal, the Company reclassified \$1,304 relating to the equity component of the settled notes from equity conversion feature on convertible note to reserves. During the period ended December 31, 2020, the Company made cash repayments of \$18,000, and converted \$19,333 by issuing 128,888 common shares comprising a total of \$25,000 in principal and \$12,333 in interest. The Company reclassified \$1,087 relating to the equity component of the settled notes from equity conversion feature on convertible note to reserves; and

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12. Convertible Notes (continued)

- e) \$60,000, bearing interest at a rate of 20% 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. During the year ended June 30, 2020, the maturity of the facility was extended, and the interest rate increased to 40% per annum. During the year ended June 30, 2020, the Company made payments of \$12,000 representing interest.

The Company did not issue any convertible debentures during the period ended December 31, 2020.

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 754,619	\$ 741,022
Additions	-	300,000
Equity component of additions	-	(88,061)
Accretion of convertible note	82,501	165,859
Interest accrued	26,838	49,966
Settled through conversion	(19,333)	(345,000)
Repayment of convertible note	(204,000)	(69,167)
Balance, end of period	\$ 640,625	\$ 754,619
Convertible note, equity component, end of period	\$ 68,891	\$ 92,409
Face value of notes at maturity	\$ 661,420	\$ 825,320

13. Share Capital**(a) Authorized Share Capital**

As at December 31, 2020, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

(b) Issued Share Capital

During the period ended December 31, 2020, share activity was as follows:

- (i) On August 8, 2020, the Company issued 128,888 common shares to settle a portion of a convertible note with a value of \$19,333 (Note 12);
- (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 a former dissenting shareholder and recognized a decrease to share capital of \$22,629.

During the year ended June 30, 2020, share activity was as follows:

- (i) On July 11, 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 a former dissenting shareholder and recognized a decrease to share capital of \$10,879.
- (ii) On July 30, 2019, the Company issued 1,000,000 common shares with a fair value of \$0.095 per common share to settle accounts payable and accrued liabilities of \$100,000. The Company recognized a gain of \$5,000 on the settlement.
- (iii) On August 14, 2019, the Company closed a private placement by issuing 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 full warrant exercisable for a period of two years at a price of \$0.50. The Company allocated \$480,000 to share capital for the common shares with the residual value of \$320,000 for the warrants to reserves. In connection with the private placement, the Company paid a finder's fee of \$64,000.

13. Share Capital (continued)

(b) Issued Share Capital (continued)

- (iv) On October 17, 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 a former dissenting shareholder and recognized a decrease to share capital of \$10,928.
- (v) On October 29, 2019, the Company issued 500,000 common shares with a fair value of \$0.155 per common share for a total of \$77,500 to acquire 100% of the outstanding shares of i4C (note 4).
- (vi) On October 29, 2019, the Company issued 210,000 common shares with a fair value of \$0.155 per common share for a total of \$32,550 to settle a total of \$34,800 of liabilities (note 4) The Company recognized a gain of \$2,250 on the settlement.
- (vii) On December 27, 2019, the Company issued 660 common shares at a price of \$0.40 per common share for a total of \$264 on the exercise of warrants by an arm's length party.
- (viii) In January 2020, a total of 413,637 options with exercise prices between \$0.11 and \$0.14 were exercised for gross proceeds of \$47,000. On exercise, the Company reclassified a total of \$26,567 from reserves to share capital.
- (ix) On April 7, 2020, the Company issued an aggregate of 3,863,931 common shares as follows:
 - i. 850,000 common shares with a fair value of \$0.15 per common share for a total value of \$127,500 to settle accounts payable and accrued liability in the amount of \$170,000. The Company recognized a gain of \$42,500 on the settlement;
 - ii. 2,300,000 common shares to settle a convertible note with maturity of December 27, 2019 with a value of \$345,000 (note 12);
 - iii. 399,415 common shares with a fair value of \$0.15 per common share for a total value of \$59,912 to settle loans payable of \$79,886 (note 11). The Company recognized a gain of \$10,424 on the settlement;
 - iv. 64,516 common shares with a fair value of \$0.15 per common share for a total value of \$9,677 that had been recognized to a commitment to issue shares as at June 30, 2019 related to a financing fee on a loan agreement dated September 26, 2018. The Company recognized a gain of \$323 on the settlement; and
 - v. 250,000 common shares to close a private placement at a price of \$0.20 per common share for gross proceeds of \$50,000.
- (x) On May 27, 2020, the Company issued 300,000 common shares with a value of \$0.15 per common share for a total value of \$45,000 to settle accounts payable and accrued liabilities of \$60,000. The Company recognized a gain of \$15,000 on the settlement.
- (xi) 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; and
- (xii) 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 a former dissenting shareholder.

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14. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of warrants
Balance - June 30, 2019	\$0.39	26,200,834
Granted	\$0.50	2,000,000
Exercised	\$0.40	(660)
Expired	\$0.40	(26,200,174)
Balance – June 30, 2020 and December 31, 2020	\$0.50	2,000,000

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

	Exercise price	Number of warrants	Expiry date
Share purchase warrants	\$0.50	2,000,000	August 14, 2021
		2,000,000	

15. 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, 2019	\$0.18	8,918,886
Expired / Cancelled	\$0.23	(2,758,002)
Exercised	\$0.11	(413,637)
Granted	\$0.20	500,000
Balance – June 30, 2020	\$0.16	6,247,247
Expired / Cancelled	\$0.19	(50,000)
Granted	\$0.14	1,030,000
Balance – December 31, 2020	\$0.16	7,227,247

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15. Share-Based Payments (continued)

Incentive share options outstanding and exercisable December 31, 2020 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.19	100,000	0.31 years	\$0.19	100,000	\$0.19
\$0.19	1,125,000	1.31 years ⁽¹⁾	\$0.19	1,125,000	\$0.19
\$0.16	1,000,000	1.44 years	\$0.16	1,000,000	\$0.16
\$0.14	3,472,247	1.79 years ⁽²⁾	\$0.14	3,472,247	\$0.14
\$0.20	500,000	0.84 years	\$0.20	500,000	\$0.20
\$0.14	1,030,000	1.79 years	\$0.14	1,030,000	\$0.14
	7,227,247		\$0.16	7,227,247	\$0.16

(1) Subsequent to the period ended December 31, 2020, 100,000 of these options were exercised for gross proceeds of \$19,000.

(2) Subsequent to the period ended December 31, 2020, 100,000 of these options were exercised for gross proceeds of \$14,000.

The weighted average fair value of options granted during the period ended December 31, 2020 was \$0.05 (2019 - \$0.10). Total share-based payments recognized in the statement of shareholders' equity for the period ended December 31, 2020 was \$50,324 (2019 - \$70,419) for incentive options vested and was recognized in the profit or loss. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	December 31, 2020	December 31 2019
Weighted average share price	\$0.10	\$0.17
Risk-free interest rate	0.25%	1.55%
Expected life of option	1.83 years	2.00 years
Expected annualized volatility	114.76%	126.63%
Expected dividend rate	Nil	Nil

16. Management of Capital

The capital managed by the Company includes the components of shareholders' equity as described in the consolidated statements of changes in 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 December 31, 2020 remains fundamentally unchanged from the year ended June 30, 2020.

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17. Supplemental Cash Flow Information

During the period ended December 31, 2020, the Company:

- a) Recognized the settlement of \$19,333 on the issuance of shares to settle a convertible note;
- b) Recognized \$23,325 previously included as advances against payments of lease liabilities;
- c) Recognized lease liabilities and right-of-use assets in the amount of \$943,678 on the termination of a lease; and
- d) Reclassified \$23,518 from the equity conversion feature on convertible notes to reserves on the settlement of convertible notes.

During the period ended December 31, 2019, the Company:

- a) Recognized an increase to right-of-use assets and lease liabilities of \$478,772 on adoption of IFRS 16;
- b) issued an aggregate of 1,210,000 common shares at a value of \$127,550, to settle accounts payable and accrued liabilities of \$134,800;
- c) Reclassified a total of \$2,564 from equity conversion feature on convertible notes to reserves on the settlement of convertible notes; and
- d) Recognized \$99,714 in forgiven accounts payable and accrued liabilities due to i4C on the acquisition of i4C.

18. 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.

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. During the period ended December 31, 2020, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 80,000	\$ -	\$ 80,000
Chief Financial Officer	60,000	24,429	84,429
Non-executive Directors	18,000	24,429	42,429
Total	\$ 158,000	\$ 48,858	\$ 206,858

During the period ended December 31, 2019, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 80,400	\$ 5,255	\$ 85,655
Chief Financial Officer	36,000	-	36,000
Non-executive Directors	6,000	5,608	11,608
Total	\$ 122,400	\$ 10,863	\$ 133,263

Included in accounts payable and accrued liabilities is \$274,676 (June 30, 2020 - \$257,749) due to officers and directors.

18. Related Party Transactions (continued)

On June 9, 2014, ETS signed a referral services agreement with RA Revenue Automation Inc. (“RA”) whereby RA agreed to use ETS as its exclusive referral marketing application and include the concept in all relevant business development pitches to customers. A company controlled by the Company’s CEO owns 10% of RA. Revenue of \$48,300 (2019 - \$48,300) recorded in profit or loss is from RA. As at December 31, 2020, \$25,358 (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 December 31, 2020, the Company earned sales revenue from KWL of \$74,675 (2019 – \$63,375) and incurred expenses from KWL of \$36,672 (2019 – \$10,913). Included in accounts receivable as at December 31, 2020 is a balance owing from KWL of \$18,781 (June 30, 2020 - \$28,496). Included in accounts payable and accrued liabilities as at December 31, 2020 is a balance owing to KWL of \$17,127 (June 30, 2020 - \$26,557).

19. 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 statements of financial position is measured in accordance with Level 1 of the fair value hierarchy.

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 December 31, 2020 and 2019, the Company was not subject to significant market risk.

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19. Financial Risk Management (continued)**Financial and capital risk management (continued)***Foreign currency risk*

As at December 31, 2020 and 2019 the Canadian dollar equivalent carrying values of the financial assets and liabilities denominated in foreign balances are as follows:

December 31,	US Dollars		Polish Zloty	
	2020	2019	2020	2019
Financial Assets				
Cash	\$ 20,561	\$ 13,997	\$ 25,614	\$ 20,545
Accounts receivable	273,535	275,347	-	-
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 67,650	\$ 84,209	\$ 35,995	\$ 29,353

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 December 31, 2020, FlowWorks has revenue of \$671,535(2019 - \$ 634,891) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$67,000 (2019 - \$ 63,000) (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 December 31, 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 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 53% 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 receivables aged past 90 days and has estimated expected credit losses at December 31, 2020 of \$11,314 (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 maturities of convertible notes and loans payable are disclosed in notes 12 and 11, respectively. The Company has limited working capital at December 31, 2020 and will need to raise further financing to meet its financial obligations.

CARL DATA SOLUTIONS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2020

Presented in Canadian Dollars - unaudited

20. 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 period ended December 31, 2020 and 2019:

	2020		2019	
Revenue				
Canada	\$	1,216,806	\$	625,911
United States		270,916		313,531
	\$	1,487,722	\$	939,442

The following is a breakdown of the Company's revenues based upon reportable segment for the period ended December 31, 2020 and 2019:

	2020		2019	
Revenue				
Data services	\$	1,487,722	\$	695,274
Data hosting		-		187,261
Sale of environmental sensors		-		56,907
	\$	1,487,722	\$	939,442

21. Subsequent Events

Subsequent to December 31, 2020 the Company:

- a. Granted 1,000,000 stock options to an officer of the Company with an exercise price of \$0.14 and life of five years;
- b. Settled an aggregate of \$63,000 in accounts payable and accrued liabilities through the issuance of 450,000 common shares of the Company;
- c. Settled an aggregate of \$105,100 in convertible debentures through the issuance of 723,910 common shares;
- d. Granted 500,000 stock options to various consultants of the Company with an exercise price of \$0.26 and life of three years;
- e. Granted 1,750,000 stock options to an officer and various consultants of the Company with an exercise price of \$0.38 and a life of three years;
- f. Closed a non-brokered private placement by issuing a total of 37,341,920 units (each, a "Unit") at a price of \$0.15 per Unit for gross cash proceeds of \$4,437,914 and debt settlement of \$1,163,374 for total proceeds of \$5,601,288. Each Unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.25 for a period of two years;
- g. Issued convertible debentures in the amount of \$250,000 by issuing \$200,000 for cash and through settlement of accounts payable and accrued liabilities in the amount of \$50,000. The debentures have an interest rate of 10% compounding per annum, maturity date of two years, and are convertible at a price of \$0.15 per share; and
- h. Entered into an agreement whereby the Company can access a credit facility of up to \$2,000,000 for the purpose of purchasing hardware needed for its projects. This credit facility carries an interest rate of 4% per year on the daily outstanding balance.