



CARL DATA SOLUTIONS INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CARL Data Solutions Inc.:

Opinion

We have audited the consolidated financial statements of CARL Data Solutions Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
October 28, 2021

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

As at	June 30, 2021	June 30, 2020
ASSETS		
Current Assets		
Cash	\$ 2,903,056	\$ 94,543
Accounts and other receivables (note 5)	704,903	662,455
Digital currencies (note 6)	1,568	519
Prepaid expenses	57,198	106,270
	3,666,725	863,787
Non-Current Assets		
Property, equipment, and right-of-use assets (note 7)	321,054	1,478,917
Intangible assets (note 8)	80,503	395,689
Goodwill	118,775	118,775
Total Assets	\$ 4,187,057	\$ 2,857,168

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current Liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 807,978	\$ 975,091
Current portion of lease liabilities (note 10)	94,741	244,431
Deferred revenue	-	21,750
Current portion of loans payable (note 11)	41,735	798,716
Convertible notes (note 12)	198,702	754,619
	1,143,156	2,794,607
Lease liabilities (note 10)	-	903,450
Loans payable (note 11)	263,140	265,000
Total Liabilities	1,406,296	3,963,057
Shareholders' Equity (Deficiency)		
Share capital (note 13)	24,837,032	17,135,464
Reserves (notes 12 and 15)	2,888,060	2,028,880
Equity conversion feature on convertible note (note 12)	70,191	92,409
Foreign currency translation reserve	27,323	53,728
Deficit	(25,041,845)	(20,416,370)
	2,780,761	(1,105,889)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 4,187,057	\$ 2,857,168

Description of Business and Going Concern (note 1)

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD ON OCTOBER 28, 2021

"Kevin Ma"
Director

"Chris Johnston"
Director

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

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

For the years ended	June 30, 2021	June 30, 2020
Revenue		
Data services (note 18)	\$ 2,446,465	\$ 1,981,396
Data hosting	-	311,241
Social referral software (note 18)	118,349	132,850
Sale of environmental sensors	-	56,907
Custom programming service contracts	66,526	51,553
	<u>2,631,340</u>	<u>2,533,947</u>
Expenses		
Accretion of convertible note (note 12)	101,394	165,859
Amortization of intangible assets (note 8)	312,641	769,712
Bad debts (notes 5 and 20)	5,603	32,915
Computer hosting costs	408,694	468,683
Consulting (note 18)	1,645,828	861,108
Depreciation of property, equipment, and right-of-use assets (note 7)	226,982	359,857
Energy costs	16,069	279,493
Filing and transfer agent	57,394	37,644
Foreign exchange (gain) loss	(13,604)	18,615
Interest and penalties (notes 11 and 12)	112,471	148,470
Investor relations	284,759	352,608
Marketing	25,204	70,587
Occupancy	12,458	16,844
Office and miscellaneous (note 18)	166,186	195,034
Professional fees	279,243	234,304
Share-based payments (notes 15 and 18)	784,920	70,419
Salaries and wages	1,004,887	1,053,025
Travel	77,832	79,308
	<u>5,508,961</u>	<u>5,214,485</u>
Operating loss	(2,877,621)	(2,680,538)
Other items		
Financing costs (note 12)	-	(150,455)
Accretion on lease liabilities (note 10)	(37,807)	(89,127)
Gain on modification of lease liabilities (note 10)	52,942	5,759
(Loss) gain on settlement of debt (notes 11 and 13(b))	(1,774,840)	85,043
Impairment of intangible assets (note 8)	-	(528,749)
Property, equipment, and right-of-use assets written off (note 7)	(41,053)	-
Recovery on write-off of accounts payable	51,855	-
Revaluation of digital currencies (note 6)	1,049	(96)
Loss for the year	(4,625,475)	(3,358,163)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange loss on translation of subsidiary	(26,405)	13,444
Comprehensive loss for the year	\$ (4,651,880)	\$ (3,344,719)
Weighted Average Number of Common Shares Outstanding		
Basic and Diluted	93,914,693	82,693,426
Loss Per Share		
Basic and Diluted	\$ (0.05)	\$ (0.04)

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

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

For the years ended	June 30, 2021	June 30, 2020
Cash Flows used in Operating Activities		
Loss for the year	\$ (4,625,475)	\$ (3,358,163)
Non-cash items		
Amortization of intangible assets	312,641	769,712
Accretion on convertible notes	101,394	165,859
Accretion on lease liabilities	37,807	89,127
Depreciation of property, equipment, and right-of-use assets	226,982	359,857
Gain on modification of lease liabilities	(52,942)	(5,759)
Interest expense	101,122	128,864
Impairment of intangible assets	-	528,749
Loss (gain) on settlement of debt	1,774,840	(85,043)
Property, equipment, and right-of-use assets written off	41,053	-
Revaluation of digital currencies	(1,049)	96
Recovery on write-off of accounts payable	(51,855)	-
Share-based payments	784,920	70,419
Changes in non-cash working capital items:		
Accounts and other receivables	(73,421)	(282,695)
Prepaid expenses	25,071	291,081
Deferred revenue	(21,750)	21,750
Accounts payable and accrued liabilities	307,227	120,009
	(1,113,435)	(1,186,137)
Cash Flows provided by Investing Activities		
Acquisition of i4C Innovation Inc.	-	6,410
	-	6,410
Cash Flows provided by Financing Activities		
Net proceeds from private placements	4,437,914	786,000
Proceeds from exercise of stock options	33,000	47,000
Proceeds from exercise of warrants	-	264
Repurchase of common shares	(22,629)	(21,807)
Proceeds from convertible notes	200,000	300,000
Payment towards lease liabilities	(124,852)	(118,691)
Repayment of convertible notes	(487,652)	(69,167)
Proceeds from loans payable	60,000	320,000
Repayment of loans payable	(169,506)	-
	3,926,275	1,243,599
Effect of foreign exchange on cash	(4,327)	(158)
Change in cash during the year	2,808,513	63,714
Cash – beginning of year	94,543	30,829
Cash – end of year	\$ 2,903,056	\$ 94,543
Supplemental Cash Flow Information (see note 17)		

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

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

	Share Capital			Equity feature on convertible note	Commitment to issue shares	Foreign currency translation reserve	Deficit	Total
	Shares	Amount	Reserves					
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 loss and comprehensive loss for the year	-	-	-	-	-	13,444	(3,358,163)	(3,344,719)
Shares issued for:								
Private placement (notes 13(b)(iii) and 13(b)(ix))	4,250,000	530,000	320,000	-	-	-	-	850,000
Option exercises (note 13(b)(viii))	413,637	73,567	(26,567)	-	-	-	-	47,000
Warrant exercises (note 13(b)(vii))	660	264	-	-	-	-	-	264
Debt settlement (notes 4, 11, 13(b)(ii), 13(b)(vi), 13(b)(ix), and 13(b)(x))	2,759,415	359,963	-	-	-	-	-	359,963
Shares issued for loan transaction fee (notes 11 and 13(b)(iv))	64,516	9,677	-	-	(10,000)	-	-	(323)
Acquisition of i4C Innovation Inc. (notes 4 and 13(b)(v))	500,000	77,500	-	-	-	-	-	77,500
Settlement of convertible note (notes 12 and 13(b)(ix))	2,300,000	345,000	85,858	(85,858)	-	-	-	345,000
Share issuance costs (notes 13(b)(iii) and 13(b)(ix))	-	(64,000)	-	-	-	-	-	(64,000)
Shares repurchased (notes 13(b)(i) and 13(b)(iv))	(73,776)	(21,807)	-	-	-	-	-	(21,807)
Issuance of convertible notes (note 12)	-	-	-	88,061	-	-	-	88,061
Share-based payments (note 15)	-	-	70,419	-	-	-	-	70,419
Balance – June 30, 2020	86,948,962	17,135,464	2,028,880	92,409	-	53,728	(20,416,370)	(1,105,889)
Net loss and comprehensive loss for the year	-	-	-	-	-	(26,405)	(4,625,475)	(4,651,880)
Shares issued for:								
Private placement (note 13)	29,586,094	4,437,914	-	-	-	-	-	4,437,914
Option exercises (note 13)	200,000	51,149	(18,149)	-	-	-	-	33,000
Debt settlement (notes 11 and 13)	7,205,826	2,621,214	-	-	-	-	-	2,621,214
Settlement of convertible note (notes 12 and 13)	2,559,465	613,920	92,409	(92,409)	-	-	-	613,920
Shares repurchased (note 13)	(75,564)	(22,629)	-	-	-	-	-	(22,629)
Share based payments	-	-	784,920	-	-	-	-	784,920
Issuance of convertible notes (note 12)	-	-	-	70,191	-	-	-	70,191
Balance – June 30, 2021	126,424,783	\$ 24,837,032	\$ 2,888,060	\$ 70,191	\$ -	\$ 27,323	\$ (25,041,845)	\$ 2,780,761

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

1. Description of Business and Going Concern

Carl Data Solutions Inc. (“**CARL**” or the “**Company**”) was incorporated under the Business Corporations Act (British Columbia) on January 17, 2014. CARL is an Industrial Internet of Things (“**IIoT**”) and Big Data as a Service (“**BDaaS**”) company that provides next-generation collection, storage and analytics solutions for data-centric organizations. Through its subsidiaries Astra Smart Systems Corp. and FlowWorks Inc., CARL helps clients analyze and model environmental data through a robust end-to-end network of custom sensor arrays combined with SaaS-based monitoring, reporting, and predictive modeling applications. CARL works with new cloud-based mass storage services and machine learning (AI) analytical tools to provide the scalability required to effectively monitor vast amounts of data collected by both government and industrial customers. The Company’s software solutions save customers time and money by aggregating information from any sensor or source to create a real-time decision support system with deep insights into protecting infrastructure and assets.

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 Corp. (“ Astra ”)	British Columbia	100%

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these consolidated financial statements. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at June 30, 2021, the Company had not achieved profitable operations, had accumulated a deficit of \$25,041,845 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, 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 consolidated financial statements, 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**”).

2. Basis of Preparation (continued)

Basis of presentation

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

Significant accounting judgments, estimates, and assumptions

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

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.

Critical accounting judgments

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

Functional currency

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations. The functional currency of the parent company, ETS, Astra, and i4C is the Canadian dollar. The functional currency of FlowWorks is the US dollar and the functional currency of Carl PL is the Polish Zloty.

Software development

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

Estimate useful life

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

Classification of digital currencies

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

2. Basis of Preparation (continued)

Critical accounting judgments (continued)

Business combinations

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended June 30, 2020, the Company completed the acquisition of the physical and intangible assets of i4C (note 4) and concluded that the transactions did not qualify as a business combinations under IFRS 3, “Business Combinations.”

Impairment of accounts receivable

The Company exercises judgment in identifying impaired accounts receivable, the collection of which may be uncertain. In determining whether an impairment loss should be recorded in profit or loss, the Company considers whether there is any observable data indicating that an increase in the credit risk or a decrease in the estimated future cash flows from a loan has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment status of the customer and days outstanding.

Deferred income tax

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

Going concern

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

Critical accounting estimates

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

Valuation of acquired assets

The Company has made estimates with respect to the acquisition date fair values of the identifiable assets and liabilities of 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.

2. Basis of Preparation (continued)

Basis of consolidation

These consolidated 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. These companies 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. Regardless of year-end, all subsidiaries of the Company produced financial information on a monthly basis, and these consolidated financial statements reflect the accounts of the Company and its controlled and wholly-owned subsidiaries as at and for the 12 month periods ended June 30, 2021 and 2020. 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 interests 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

Intangible assets

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

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

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

3. Significant Accounting Policies (continued)

Impairment

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

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

Any goodwill that arises from business combinations is tested at least annually for impairment.

Revenue recognition

The Company earns revenue in its subsidiaries, FlowWorks, ETS, and Astra through the performance of services and data hosting.

i. Services revenue

Services revenue includes custom programming service contracts, data services through software subscription revenue, and the supply of social referral software to clients. Services revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Consideration received from customers in advance is recorded as deferred revenue. Services revenue is recognized as the Company satisfies its performance obligation over time.

ii. Data center hosting

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

iii. Sale of environmental sensors

Revenue from the sale of environmental sensors is measured at the fair value of the consideration received or receivable for the product, net of discounts and sales taxes and is recognized upon delivery of the sensors to the customer.

3. Significant Accounting Policies (continued)

Translation of foreign currencies

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

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

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

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

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

Property and Equipment

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

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

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

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

3. Significant Accounting Policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following payments during the lease term: fixed payments (including in-substance fixed payments), and the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Digital currency valuation

Digital currencies consist of cryptocurrency denominated assets (note 6) and are included in current assets. Digital currencies are initially valued at their fair value determined using the closing spot price of the coin on the date of receipt and carried at fair value determined using the closing spot price of the coin at each reporting date, based on prices available on www.cryptocompare.com. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss in accordance with the Company's treatment of its digital currencies as a traded commodity. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; given the immaterial balance of digital currencies, a significant change in the market prices for digital currencies would not have a significant impact on the Company's consolidated profit or loss and consolidated financial position.

Goodwill

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments

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

Recognition

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

Classification and measurement

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

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

The classification and measurement of financial assets after initial recognition under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Classification and measurement (continued)

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

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

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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

Impairment of financial assets

The Company recognizes impairment of financial assets using the expected credit loss (“ECL”) model. Using the simplified approach for trade receivables, the Company measures loss allowances for trade and other receivables at an amount equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Expected losses on trade and other receivables are presented as bad debts expense in profit or loss.

Valuation of equity units issued in private placements

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

Share-based payments

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

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

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

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

Earnings (loss) per share

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

3. Significant Accounting Policies (continued)

Government grants

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

Income taxes

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

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

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

Segment reporting

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

New accounting standards, amendments and interpretations issued

The Company did not adopt any new accounting standards, amendments or interpretations for the year ended June 30, 2021. Accounting standards, amendments or interpretations of existing standards that have been issued but have future effective dates, are either not applicable to the Company or are not expected to have a significant impact on the Company's consolidated financial statements.

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.

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:

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4. Acquisition of i4C (continued)

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

	June 30, 2021	June 30, 2020
Gross trade accounts receivable	\$ 514,047	\$ 609,266
Related party accounts receivable	45,221	28,496
Less: allowance for doubtful accounts	(15,079)	(12,681)
Net trade accounts receivable	544,189	625,081
GST receivable	160,714	37,374
	\$ 704,903	\$ 662,455

Reconciliation of allowance for doubtful accounts is as follows:

	June 30, 2021	June 30, 2020
Balance – beginning of year	\$ 12,681	\$ 2,759
Allowance provided for doubtful accounts	5,603	32,915
Bad debts written off	(3,205)	(22,993)
Balance – end of year	\$ 15,079	\$ 12,681

6. Digital Currencies

As at June 30, 2021, 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:

	June 30, 2021	June 30, 2020
Ethereum	\$ 1,568	\$ 519
	\$ 1,568	\$ 519

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6. Digital Currencies

The continuity of digital currencies was as follows:

	June 30, 2021	June 30, 2020
Balance – beginning of year	\$ 519	\$ 615
Revaluation adjustment	1,049	(96)
Balance – end of year	\$ 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
Modification of lease liabilities	-	-	-	908	-	908
Derecognized (note 10)	-	-	-	(1,014,763)	-	(1,014,763)
Written-off	-	-	(7,173)	-	(291,337)	(298,510)
Balance – June 30, 2021	\$ 102,790	\$ 14,063	\$ 395,593	\$ 266,989	\$ -	\$ 779,435
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	12,477	2,048	50,783	126,526	35,148	226,982
Derecognized (note 10)	-	-	-	(124,027)	-	(124,027)
Written-off	-	-	(1,267)	-	(256,190)	(257,457)
Balance – June 30, 2021	\$ 73,676	\$ 9,284	\$ 193,701	\$ 181,720	\$ -	\$ 458,381
Balance – June 30, 2020	\$ 41,591	\$ 6,827	\$ 258,581	\$ 1,101,623	\$ 70,295	\$ 1,478,917
Balance – June 30, 2021	\$ 29,114	\$ 4,779	\$ 201,892	\$ 85,269	\$ -	\$ 321,054

The Company's right-of-use assets relate to office premises under two leases (note 10). During the year ended June 30, 2021, the Company wrote-off digital currency processors with a book value of \$35,147 and furniture and fixtures with a book value of \$5,906 and recognized \$41,053 to the statement of loss and comprehensive loss.

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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, 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 2021	\$ 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	\$ -	\$ 258,751	\$ 1,520,396
Amortization	95,867	136,737	7,833	18,667	180,232	60,378	269,998	769,712
Impairment	-	-	-	-	-	-	(528,749)	(528,749)
Balance – June 30, 2020	635,226	629,324	20,235	48,223	367,973	60,378	-	1,761,359
Amortization	47,933	40,690	3,265	7,777	172,724	40,252	-	312,641
Balance – June 30, 2021	\$ 683,159	\$ 670,014	\$ 23,500	\$ 56,000	\$ 540,697	\$ 100,630	\$ -	\$ 2,074,000
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	-	(2,545)	-	-	-	-	-	(2,545)
Balance – June 30, 2021	\$ 7,925	\$ 10,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,785
Balance – June 30, 2020	\$ 47,933	\$ 43,235	\$ 3,265	\$ 7,777	\$ 172,724	\$ 120,755	\$ -	\$ 395,689
Balance – June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,503	\$ -	\$ 80,503

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 was 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 year ended June 30, 2021, 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 year ended June 30, 2021.

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 year ended June 30, 2021.

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 year ended June 30, 2021.

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 and was fully amortized during the year ended June 30, 2021.

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 1.25 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

	June 30, 2021	June 30, 2020
Trade accounts payable	\$ 635,449	\$ 661,062
Due to related parties (note 18)	172,529	257,749
Accrued liabilities	-	56,280
	\$ 807,978	\$ 975,091

10. Lease Liabilities

As at June 30, 2020, the Company had two office premises leases with remaining expected payments of \$1,503,548 that had been discounted to present value using a discount rate of 10%. During the year ended June 30, 2021, 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 on modification of lease liabilities of \$52,942 in profit or loss.

The following summarizes the undiscounted minimum lease payments under the lease liabilities as at June 30, 2021:

Fiscal year	Payment
2022	\$ 98,720
Effect of discounting at the incremental borrowing rate	(3,979)
Total lease liabilities at June 30, 2021	\$ 94,741

Lease liabilities	June 30, 2021	June 30, 2020
Balance – beginning of year	\$ 1,147,881	\$ 480,893
Acquired on acquisition of i4C	-	911,463
Lease accretion	37,807	89,127
Lease payments	(148,177)	(118,691)
Adjustment on modification of lease	908	7,331
Derecognized	(943,678)	(222,242)
Balance, end of year	94,741	1,147,881
Current lease liabilities	(94,741)	(244,431)
Non-current lease liabilities	\$ -	\$ 903,450

11. Loans Payable

	June 30, 2021	June 30, 2020
Balance – beginning of year	\$ 1,063,716	\$ 744,701
Advances of loans	60,000	320,000
Interest and fees accrued	66,670	91,028
Repayments – cash	(169,506)	(12,130)
Settlements – shares issued (note 13)	(716,005)	(79,883)
Balance – end of year	304,875	1,063,716
Current portion	(41,735)	(798,716)
Non - current portion	\$ 263,140	\$ 265,000

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11. Loans Payable (continued)

During the year ended June 30, 2021, i4C received the \$40,000 Canada Emergency Business Account (the “CEBA”) with the same terms as the one received by CARL during the year ended June 30, 2020, as discussed below. The Company also applied for and received an additional \$20,000 in CEBA benefits, of which \$10,000 is forgiven if repaid by December 31, 2022.

As at and for the years ending June 30, 2021 and 2020, the following loans were outstanding:

	Note reference	Interest rate – per annum	Loan balances, with interest	
			June 30, 2021	June 30, 2020
CEBA loan	11(a)	-	\$ 100,000	\$ 40,000
Arm’s length loan	11(b)	15%	-	34,940
Arm’s length loan	11(c)	8%	-	259,617
Arm’s length loan	11(d)	13%	-	119,278
Arm’s length loan	11(e)	-	-	50,000
Directors’ loans	11(f)	20%	-	120,723
Arm’s length loans	11(g)	15%	-	211,200
Arm’s length loan	11(h)	2.5% + prime	204,875	227,958
			\$ 304,875	\$ 1,063,716

- a) As part of the Government of Canada’s response to the COVID-19 global pandemic, certain businesses are eligible to apply for 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 year ended June 30, 2021, the Company applied for the CEBA and received the \$40,000 loan in CARL and a \$20,000 loan in i4C (2020 - \$40,000 loan). The CEBA remains interest free until December 31, 2022 and has no fixed repayment schedule. If \$75,000 (2020 - \$30,000) is repaid on or before December 31, 2022, the remaining \$25,000 (2020 - \$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;
- b) \$30,000 was received from an arm’s-length party during the year ended June 30, 2020. In connection with the loan, the Company must pay 15% simple interest per annum. During the year ended June 30, 2021, the balance of \$37,988 inclusive of interest was settled through the issuance of 253,253 common share units (note 13) with a fair value of \$96,236. The Company recognized a loss on settlement of debt of \$58,248 on the issuance of common share units;
- c) \$250,000 was received from an arm’s-length party during the year ended June 30, 2020. In connection with the loan, the Company must pay 8% simple interest per annum. During the year ended June 30, 2021, the balance of \$271,077 inclusive of interest was settled through the issuance of 1,807,180 common share units (note 13) with a fair value of \$686,728. The Company recognized a loss on settlement of debt of \$415,651 on the issuance of common share units;
- d) \$100,000 was received from an arm’s-length party during the year ended June 30, 2019. In connection with the loan the Company agreed to pay a transaction fee of \$5,000 (settled) and issue 64,516 common shares (issued). Since the loan was not repaid by January 26, 2019, interest of 13% per annum began accruing on the principal amount of \$100,000. During the year ended June 30, 2021, the balance of \$127,958 inclusive of interest was settled through the issuance of 853,053 common share units (note 13) with a fair value of \$324,160. The Company recognized a loss on settlement of debt of \$196,202 on the issuance of common share units;
- e) \$50,000 was received from an arm’s-length party, repayable on demand and non-interest bearing during the year ended June 30, 2019. During the year ended June 30, 2021, the balance of \$50,000 was settled through the issuance of 333,333 common share units (note 13) with a fair value of \$126,667. The Company recognized a loss on settlement of debt of \$76,667 on the issuance of common share units;

11. Loans Payable (continued)

- f) \$90,000 was received from two directors of the Company during the year ended June 30, 2019. In connection with the loans, the Company paid 20% simple interest per annum. During the year ended June 30, 2021, the total balances of \$135,494, inclusive of interest, was repaid;
- g) An aggregate of \$205,000 was received from three loans with an arm's-length party, all with maturities of December 31, 2019, bearing interest at a rate of 15% per annum during the year ended June 30, 2019. During the year ended June 30, 2021, the balance of \$224,982, inclusive of interest, was settled through the issuance of 1,499,880 common share units (note 13) with a fair value of \$569,950. The Company recognized a loss on settlement of debt of \$344,972 on the issuance of common share units; and
- h) \$225,000 was received from an arm's-length party on December 3, 2018 bearing interest of prime plus 2.5% on a monthly basis. After 24 months, the Company began to make monthly payments over 60 months inclusive of a principal and interest component. As at June 30, 2021, \$204,875 (2020 - \$227,958) remained payable and was included within loans payable on the statement of financial position.

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. 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. As 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 was to 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 had the right to convert the principal amount of the Note at the above conversion price. During the year ended June 30, 2017, the Company entered into an amendment allowing the conversion at the price of \$0.34 per share and of the initial \$500,000 tranche, \$405,000 was converted through the issuance of 1,191,176 common shares. The Company recognized \$458,012 in the profit or loss as a result of the conversion. In connection with the conversion, the Company was required to issue 400,000 common shares to the holder with a fair value of \$156,000 to settle amounts payable of \$136,000. The 400,000 common shares issued represent the balance of the bonus shares not issued during fiscal 2016.

During the year ended June 30, 2017, the Company initiated issuances of the Company's convertible notes and received \$390,000 in proceeds, of which \$87,189 was recognized to equity upon receipt. During fiscal 2017, issuances of Notes with face values and issuance dates were completed as follows: September 1, 2016 - \$160,000; September 30, 2016 - \$150,000 and April 30, 2017 - \$80,000.

During the year ended June 30, 2018, all future royalties, valued at \$291,022, were settled by issuance of 1,119,316 common shares. 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.

12. Convertible Notes

Separate from the above noted credit facility, during the years ended June 30, 2021 and 2020, the Company issued and or settled the following convertible notes:

- 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 year ended June 30, 2021, the Company made total payments on these debentures of \$93,332 representing \$50,000 in principal repayments and \$43,332 in interest payments. The Company renegotiated the conversion price on \$100,000 of the convertible debentures from \$0.30 to \$0.15 and \$106,000 inclusive of interest was converted through the issuance of 706,667 common shares. The remaining principal of \$150,000 was settled through a share for debt agreement whereby the Company issued an aggregate of 1,000,000 common share units (Note 13) with a fair value of \$380,000. The Company recognized a loss on settlement of debt of \$230,000.

On Settlement of the notes, the Company reclassified \$41,538 relating to the equity component of the settled notes 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, could be converted 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 year ended June 30, 2021, the Company made payments of \$376,320 to fully settle the notes inclusive of accrued interest and reclassified \$46,523 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 during the year ended June 30, 2019, 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, could be converted 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 and \$41,539 relating to the equity component of the note was reclassified from equity conversion feature on convertible note to reserves;
- 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, could be converted 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 year ended June 30, 2021, the Company made cash repayments of \$18,000, and converted \$35,333 by issuing 235,554 common shares comprising the total remaining balance. The Company reclassified \$1,739 relating to the equity component of the settled notes from equity conversion feature on convertible note to reserves; and
- 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, could be converted 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. During the year ended June 30, 2021, the remaining balance of \$92,587 inclusive of accrued interest was converted into 617,244 common shares of the Company. The Company reclassified \$2,609 relating to the equity component of the settled notes from equity conversion feature on convertible note to reserves.

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12. Convertible Notes (continued)

- f) During the year ended June 30, 2021 the Company issued three convertible debentures with an expiration date of February 11, 2023 and interest of 10% compounded semi-annually, payable upon maturity or conversion with an aggregate value of \$250,000. Of these notes, \$50,000 was issued in settlement of accounts payable and accrued liabilities. The Company allocated \$70,191 to the equity component of the notes.

	June 30, 2021	June 30, 2020
Balance – beginning of year	\$ 754,619	\$ 741,022
Additions	250,000	300,000
Equity component of additions	(70,191)	(88,061)
Accretion of convertible notes	101,394	165,859
Interest accrued	34,452	49,966
Settled through conversion	(233,920)	(345,000)
Settled through share issuance	(150,000)	-
Repayment of convertible notes	(487,652)	(69,167)
Balance – end of year	\$ 198,702	\$ 754,619
Convertible notes, equity component – end of year	\$ 70,191	\$ 92,409
Value of notes at maturity	\$ 303,875	\$ 825,320

13. Share Capital

(a) Authorized Share Capital

As at June 30, 2021, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

(b) Issued Share Capital

During the year ended June 30, 2021, share activity was as follows:

- (i) On August 5, 2020, the Company issued 128,888 common shares to settle a portion of a convertible note with a fair 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 with a former dissenting shareholder and recognized a decrease to share capital of \$22,629;
- (iii) On January 12, 2021, the Company settled an aggregate of \$63,000 in accounts payable and accrued liabilities due to an officer of the Company (note 18) through the issuance of 450,000 common shares of the Company with a fair value of \$54,000. The Company recognized a gain on settlement of debt of \$9,000;
- (iv) On February 5, 2021, on conversion of an aggregate of \$105,587 in convertible debentures (Note 12), the Company issued 723,910 common shares;
- (v) On February 5, 2021, the Company issued 200,000 common shares on the exercise of stock options for total proceeds of \$33,000. The Company reclassified \$18,149 to share capital from reserves on the issuance. The market price on the date of exercise of shares was \$0.39;

13. Share Capital (continued)

(b) Issued Share Capital (continued)

- (vi) On February 11, 2021, the Company closed a non-brokered private placement by issuing a total of 29,586,094 units at a price of \$0.15 per unit for gross cash proceeds of \$4,437,914. Each unit consisted 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. Under the residual value method, no value was attributed to the warrants;
- (vii) On February 11, 2021, the Company issued 1,000,000 common share units valued at \$380,000 using a fair value of \$0.38 per unit, with the same terms as the private placement units, pursuant to a share settlement agreement to settle \$150,000 in convertible notes (Note 12). The Company recognized a loss on settlement of debt of \$230,000;
- (viii) On February 11, 2021, the Company issued an aggregate of 6,755,826 common share units valued at \$2,567,214, using a fair value of \$0.38 per unit, with the same terms as the private placement units to settle \$1,013,374 in loans payable and accounts payable and accrued liabilities, of which 192,100 units valued at \$72,998, were issued to settle accounts payable and accrued liabilities to a director owed \$28,815 (Note 18). The Company recognized a total loss on settlement of debt of \$1,553,840; and
- (ix) On March 11, 2021, on conversion of an aggregate of \$106,000 in convertible debentures (Note 12), the Company issued 706,667 common shares.

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 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 on settlement of debt of \$5,000;
- (iii) On August 14, 2019, the Company closed a private placement by issuing 4,000,000 common share units 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;
- (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 on settlement of debt of \$2,250;
- (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;

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13. Share Capital (continued)

(b) Issued Share Capital (continued)

- (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 on settlement of debt of \$42,500;
 - ii. 2,300,000 common shares on conversion of 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 \$79,883 (note 11). The Company recognized a gain on settlement of debt of \$10,424;
 - 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 as 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 on debt settlement of \$323; 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 on settlement of debt of \$15,000;

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	\$0.50	2,000,000
Granted	\$0.25	37,341,920
Balance – June 30, 2021	\$0.26	39,341,920

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 ⁽¹⁾
	\$0.25	37,341,920	February 13, 2023
		39,341,920	

⁽¹⁾ Subsequent to the year ended June 30, 2021, these warrants expired unexercised.

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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 per share 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	\$0.25	(1,210,000)
Exercised	\$0.17	(200,000)
Granted	\$0.29	6,280,000
Balance – June 30, 2021	\$0.22	11,117,247

Incentive share options outstanding and exercisable June 30, 2021 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	1,025,000	0.82 years	\$0.19	1,025,000	\$0.19	
\$0.16	500,000	0.94 years	\$0.16	500,000	\$0.16	
\$0.14	3,312,247	1.29 years	\$0.14	3,312,247	\$0.14	
\$0.20	500,000	0.34 years	\$0.20	500,000	\$0.20	
\$0.14	1,030,000 ⁽¹⁾	1.29 years	\$0.14	1,030,000 ⁽¹⁾	\$0.14	
\$0.14	1,000,000	4.54 years	\$0.14	250,000	\$0.14	
\$0.26	500,000	2.58 years	\$0.26	500,000	\$0.26	
\$0.38	1,300,000	4.62 years	\$0.38	325,000	\$0.38	
\$0.38	450,000	2.62 years	\$0.38	450,000	\$0.38	
\$0.38	1,500,000	4.68 years	\$0.38	375,000	\$0.38	
	11,117,247		\$0.22	8,267,247	\$0.19	

⁽¹⁾ Subsequent to the year ended June 30, 2021, 30,000 of these options were cancelled unexercised.

The weighted average fair value of options granted during the year ended June 30, 2021 was \$0.19 (2020 - \$0.10). Total share-based payments recognized in the statement of shareholders' equity for the year ended June 30, 2021 was \$784,920 (2020 - \$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:

15. Share-Based Payments (continued)

	June 30, 2021	June 30, 2020
Weighted average share price	\$0.25	\$0.17
Weighted average exercise price	\$0.29	\$0.20
Risk-free interest rate	0.53%	1.55%
Expected life of option	4.18 years	2.00 years
Expected annualized volatility	117.82%	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, which totals \$2,780,761 at June 30, 2021. The Company is not subject to externally imposed capital requirements.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of funds for growth and development of its projects, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at June 30, 2021 remains fundamentally unchanged from the year ended June 30, 2020.

17. Supplemental Cash Flow Information

During the year ended June 30, 2021, the Company:

- a) Recognized the settlement of \$383,920 on the issuance of shares to settle convertible notes;
- b) Recognized \$23,325 previously included as advances against payments of lease liabilities;
- c) Derecognized lease liabilities in the amount of \$943,678, and right-of-use assets (net of accumulated depreciation) in the amount of \$890,736 on the termination of a lease;
- d) Reclassified \$92,409 from the equity conversion feature on convertible notes to reserves on the settlement of convertible notes;
- e) Recognized \$360,369 and \$716,005 in reductions to accounts payable and accrued liabilities and loans payable, respectively, on the issuance of shares for debt;
- f) Recognized \$50,000 in additions to convertible notes in settlement of accounts payable and accrued liabilities; and
- g) Recognized \$908 in additions to lease liabilities and right-of-use assets on the modification of an office lease.

During the year ended June 30, 2020 the Company:

- a) Recognized an increase to right-of-use assets and lease liabilities of \$480,893 on adoption of IFRS 16;
- b) issued an aggregate of 2,360,000 common shares at a fair value of \$300,050, to settle accounts payable and accrued liabilities of \$364,800;
- c) Reclassified a total of \$85,858 from equity conversion feature on convertible note to reserves on the settlement of convertible notes;
- d) Recognized the settlement of \$345,000 on the issuance of shares to settle a convertible note;
- e) Recognized \$46,523 to the equity conversion feature on convertible note on a deemed reissuance of a convertible note and \$41,538 to the equity conversion feature on convertible note for the issuance of new convertible notes; and
- f) 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 for services related to acting as President of the Company, with a company controlled by the President, former CEO, and director of the Company. Under the terms of the agreement, the Company paid that 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 \$13,333 (\$159,996 annually). 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 year ended June 30, 2021, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 172,000	\$ 266,284	\$ 438,284
Former Chief Executive Officer	159,996	-	159,996
Chief Financial Officer	127,000	24,429	151,429
Non-executive Directors	19,500	24,429	43,929
Total	\$ 478,496	\$ 315,142	\$ 793,638

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

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 160,000	\$ 5,255	\$ 165,255
Chief Financial Officer	72,000	-	72,000
Non-executive Directors	6,000	5,608	11,608
Total	\$ 238,000	\$ 10,863	\$ 248,863

Included in accounts payable and accrued liabilities is \$172,529 (2020 - \$257,749) due to officers and directors and their related organizations. During the year ended June 30, 2021, the Company settled an aggregate of \$91,815 in accounts payable and accrued liabilities to an officer and a director through the issuance of 642,100 common shares valued at \$126,998. The Company recognized a loss on debt settlement of \$35,183.

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 President owns 10% of RA. Social referral software revenue of \$96,600 (2020 - \$96,600) recorded in profit or loss is from RA. As at June 30, 2021, \$33,810 (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 year ended June 30, 2021, the Company earned data services revenue from KWL of \$165,725 (2020 - \$150,600) and incurred expenses from KWL of \$84,894 (2020 - \$51,858), which are recorded in office and miscellaneous, and consulting expenses. Included in accounts receivable as at June 30, 2021 is a balance owing from KWL of \$45,221 (2020 - \$28,496). Included in accounts payable and accrued liabilities as at June 30, 2021 is a balance owing to KWL of \$47,250 (2020 - \$26,557).

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19. Income taxes

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended June 30, 2021 and 2020.

For the year ended	2021	2020
Statutory rate	27%	27%
Loss before income tax for the year	\$ (4,625,475)	\$ (3,358,163)
Expected income tax (recovery)	\$ (1,249,000)	\$ (907,000)
Change in statutory, foreign tax rates and other	87,000	40,000
Items not deductible for tax	597,000	95,000
Share issuance and financing costs	-	(58,000)
Deferred tax assets not recognized	565,000	830,000
Income tax expenses (recovery)	\$ -	\$ -

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

	2021	2020
Deferred tax assets:		
Lease liabilities	\$ 26,000	\$ 310,000
Share issuance and financing costs	104,000	231,000
Property and equipment	134,000	-
Intangible assets	105,000	34,000
Non-capital losses available for future periods	4,685,000	4,119,000
	5,054,000	4,694,000
Unrecognized deferred tax assets	(5,038,000)	(4,496,000)
	16,000	198,000
Deferred tax (liabilities):		
Debt with accretion	(16,000)	(19,000)
Property and equipment	-	(179,000)
Net deferred tax assets (liabilities)	\$ -	\$ -

Management has not recognized deferred tax assets in excess of the deferred tax liabilities as there is insufficient certainty as to the timing of when these excess deferred tax assets will be realized in the foreseeable future. The significant components of the Company's unrecognized temporary differences are as follows:

	2021	2020	Expiry date range
Temporary Differences:			
Non-capital losses available for future periods	17,803,000	15,752,000	
Canada	15,903,000	13,735,000	2034-2041
USA	1,538,000	1,388,000	2030-No expiry*
Poland	363,000	629,000	2023-2026
Share issuance and financing costs	386,000	857,000	2021-2025
Property and equipment	497,000	-	No expiry

*USA tax losses realized for years ending June 30, 2018 and thereafter, have no expiry date and may be carried forward indefinitely.

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

20. 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 at amortized cost. The carrying values of these financial instruments approximate their fair values because of their relatively short maturity dates or durations and/or attached market rates of interest.

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. As at June 30, 2021 and 2020, the Company was not subject to significant market risk.

Foreign currency risk

As at June 30, 2021 and 2020 the Canadian dollar equivalent carrying values of the financial assets and liabilities denominated in foreign balances were as follows (presented in their Canadian dollar equivalent values):

June 30,	US Dollars		Polish Zloty	
	2021	2020	2021	2020
Financial Assets				
Cash	\$ 19,795	\$ 5,653	\$ 26,829	\$ 18,704
Accounts receivable	287,742	356,146	-	-
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 182,837	\$ 77,024	\$ 20,678	\$ 26,442

20. Financial Risk Management (continued)

Financial and capital risk management (continued)

The Company's subsidiary, FlowWorks, operates in the United States which, from the perspective of the Company, creates currency risk associated with those operations. For the year ended June 30, 2021, FlowWorks has revenue of \$1,245,296 (2020 - \$ 1,407,636) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$125,000 (2020 - \$ 141,000) (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. As at June 30, 2021 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. A 10% change in interest rates would not result in a material change in profit or loss.

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 58% 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, and adjusted for current credit information. 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 as at June 30, 2021 of \$15,079 (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 as at June 30, 2021 and will need to raise further financing to meet its financial obligations.

CARL DATA SOLUTIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
Presented in Canadian Dollars

21. Segmented Information

The Company operates in three reportable segments, comprised of data services, data hosting, and sale of environmental sensors, for which information is regularly reviewed by the Company's 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 customer's location for the year ended June 30, 2021 and 2020:

	2021	2020
Revenue		
Canada	\$ 2,189,517	\$ 1,902,572
United States	441,823	631,375
	\$ 2,631,340	\$ 2,533,947

The following is a break-down of the Company's non-current assets based on geographic areas as at June 30, 2021 and 2020:

	2021	2020
Canada		
Property, equipment, and right-of-use assets	\$ 321,054	\$ 1,478,917
Intangible assets	80,503	304,521
Goodwill	118,775	118,775
United States		
Intangible assets	-	91,168
	\$ 520,332	\$ 1,993,381

The following is a breakdown of the Company's assets, liabilities revenues, and loss for the year, based upon reportable segment for the year ended June 30, 2021:

	Sale of environmental sensors	Data hosting	Data services	Total
Total assets	\$ -	\$ -	\$ 4,187,057	\$ 4,187,057
Total liabilities	\$ -	\$ -	\$ 1,406,296	\$ 1,406,296
Revenue	\$ -	\$ -	\$ 2,631,340	\$ 2,631,340
Loss for the year	\$ -	\$ -	\$ 4,625,475	\$ 4,625,475

The following is a breakdown of the Company's assets, liabilities revenues, and loss for the year, based upon reportable segment for the year ended June 30, 2020:

	Sale of environmental sensors	Data hosting	Data services	Total
Total assets	\$ 120,755	\$ 930,778	\$ 1,805,635	\$ 2,857,168
Total liabilities	\$ -	\$ 954,035	\$ 3,009,022	\$ 3,963,057
Revenue	\$ 56,907	\$ 311,241	\$ 2,165,799	\$ 2,533,947
Loss for the year	\$ 35,126	\$ 193,304	\$ 3,129,733	\$ 3,358,163