



**CARL DATA SOLUTIONS INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

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

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

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

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

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

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

As at	September 30, 2021	June 30, 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 2,066,322	\$ 2,903,056
Accounts and other receivables (note 4)	781,148	704,903
Digital currencies (note 5)	1,568	1,568
Prepaid expenses	50,204	57,198
	2,899,242	3,666,725
<b>Non-Current Assets</b>		
Property, equipment, and right-of-use assets (note 6)	285,163	321,054
Intangible assets (note 7)	60,377	80,503
Goodwill	118,775	118,775
<b>Total Assets</b>	<b>\$ 3,363,557</b>	<b>\$ 4,187,057</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	\$ 517,698	\$ 807,978
Current portion of lease liabilities (note 9)	69,754	94,741
Current portion of loans payable (note 10)	42,255	41,735
Convertible notes (note 11)	212,287	198,702
	841,994	1,143,156
<b>Loans payable (note 10)</b>	<b>252,357</b>	<b>263,140</b>
<b>Total Liabilities</b>	<b>1,094,351</b>	<b>1,406,296</b>
<b>Shareholders' Equity</b>		
Share capital (note 12)	24,837,032	24,837,032
Reserves (notes 11 and 14)	3,063,657	2,888,060
Equity conversion feature on convertible note (note 11)	70,191	70,191
Foreign currency translation reserve	31,441	27,323
Deficit	(25,733,115)	(25,041,845)
	2,269,206	2,780,761
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,363,557</b>	<b>\$ 4,187,057</b>

**Description of Business and Going Concern** (note 1)  
**Subsequent event** (note 14)

**AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD ON NOVEMBER 29, 2021**

"Kevin Ma"  
**Director**

"Chris Johnston"  
**Director**

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

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

For the three months ended	September 30, 2021	September 30, 2020
<b>Revenue</b>		
Data services (note 17)	\$ 349,899	\$ 751,557
Social referral software (note 17)	24,949	38,650
Custom programming service contracts	6,122	23,667
	<u>380,970</u>	<u>813,874</u>
<b>Expenses</b>		
Accretion of convertible note (note 11)	13,585	60,451
Amortization of intangible assets (note 7)	20,126	119,627
Bad debts recovery (notes 4 and 18)	(1,151)	(505)
Computer hosting costs	63,920	57,112
Consulting (note 17)	324,855	169,227
Depreciation of property, equipment, and right-of-use assets (note 6)	35,891	82,267
Energy costs	-	16,069
Filing and transfer agent	5,714	3,975
Foreign exchange loss (gain)	1,756	(2,367)
Interest and penalties (notes 10 and 11)	3,594	40,012
Investor relations	2,244	212,500
Marketing	33,677	4,625
Office and miscellaneous (note 17)	54,378	28,068
Professional fees	49,166	32,564
Share-based payments (notes 14 and 17)	175,597	-
Salaries and wages	264,514	232,743
Travel	22,437	2,963
	<u>1,070,303</u>	<u>1,059,331</u>
<b>Operating loss</b>	<b>(689,333)</b>	<b>(245,457)</b>
<b>Other items</b>		
Accretion on lease liabilities (note 9)	(1,937)	(28,393)
Gain on modification of lease liabilities (note 9)	-	52,942
Property, equipment, and right-of-use assets written off (note 6)	-	(5,906)
Recovery on write-off of accounts payable	-	23,914
	<u>(691,270)</u>	<u>(202,900)</u>
<b>Loss for the period</b>	<b>(691,270)</b>	<b>(202,900)</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange loss on translation of subsidiary	4,118	(7,316)
	<u>(687,152)</u>	<u>(210,216)</u>
<b>Comprehensive loss for the period</b>	<b>\$ (687,152)</b>	<b>\$ (210,216)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		
Basic and Diluted	126,424,783	87,027,416
<b>Loss Per Share</b>		
Basic and Diluted	\$ (0.01)	\$ (0.00)

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

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

For the three months ended	September 30, 2021	September 30, 2020
<b>Cash Flows used in Operating Activities</b>		
Loss for the period	\$ (691,270)	\$ (202,900)
Non-cash items		
Amortization of intangible assets	20,126	119,627
Accretion on convertible notes	13,585	60,451
Accretion on lease liabilities	1,937	28,393
Depreciation of property, equipment, and right-of-use assets	35,891	82,267
Gain on modification of lease liabilities	-	(52,942)
Interest expense	2,472	37,482
Property, equipment, and right-of-use assets written off	-	5,906
Share-based payments	175,597	-
Changes in non-cash working capital items:		
Accounts and other receivables	(68,443)	32,325
Prepaid expenses	7,082	26,990
Deferred revenue	-	(14,500)
Accounts payable and accrued liabilities	(294,894)	54,212
	(797,917)	177,311
<b>Cash Flows provided by Financing Activities</b>		
Payment towards lease liabilities	(26,924)	(44,251)
Repayment of convertible notes	-	(11,667)
Repayment of loans payable	(12,735)	(5,766)
	(39,659)	(61,684)
<b>Effect of foreign exchange on cash</b>	842	100
<b>Change in cash during the period</b>	(836,734)	115,727
<b>Cash – beginning of period</b>	2,903,056	94,543
<b>Cash – end of period</b>	\$ 2,066,322	\$ 210,270

**Supplemental Cash Flow Information** (see note 16)

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

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

	<u>Share Capital</u>		Reserves	Equity feature on convertible note	Foreign currency translation reserve	Deficit	Total
	Shares	Amount					
<b>Balance – June 30, 2020</b>	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 period	-	-	-	-	(7,316)	(202,900)	(210,216)
Shares issued for:							
Settlement of convertible note (notes 11 and 12)	128,888	19,333	870	(870)	-	-	19,333
<b>Balance – September 30, 2020</b>	87,077,850	17,154,797	2,029,750	91,539	46,412	(20,619,270)	(1,296,772)
Net loss and comprehensive loss for the period	-	-	-	-	(19,089)	(4,422,575)	(4,441,664)
Shares issued for:							
Private placement (note 12)	29,586,094	4,437,914	-	-	-	-	4,437,914
Option exercises (note 12)	200,000	51,149	(18,149)	-	-	-	33,000
Debt settlement (notes 11 and 12)	7,205,826	2,621,214	-	-	-	-	2,621,214
Settlement of convertible note (notes 11 and 12)	2,430,577	594,587	91,539	(91,539)	-	-	594,587
Shares repurchased (note 12)	(75,564)	(22,629)	-	-	-	-	(22,629)
Share based payments	-	-	784,920	-	-	-	784,920
Issuance of convertible notes (note 11)	-	-	-	70,191	-	-	70,191
<b>Balance – June 30, 2021</b>	126,424,783	24,837,032	2,888,060	70,191	27,323	(25,041,845)	(2,780,761)
Net loss and comprehensive loss for the period	-	-	-	-	4,118	(691,270)	(687,152)
Share-based payments	-	-	175,597	-	-	-	175,597
<b>Balance – September 30, 2021</b>	126,424,783	\$ 24,837,032	\$ 3,063,657	\$ 70,191	\$ 31,441	\$ (25,733,115)	\$ 2,269,206

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

## CARL DATA SOLUTIONS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

Presented in Canadian Dollars - unaudited

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

Carl Data Solutions Inc. (“CARL” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on January 17, 2014. CARL is 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at September 30, 2021, the Company had not achieved profitable operations, had accumulated a deficit of \$25,733,115 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 condensed consolidated interim 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”).

**CARL DATA SOLUTIONS INC.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**

Presented in Canadian Dollars - unaudited

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

**Basis of presentation**

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

**Significant accounting judgments, estimates, and assumptions**

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

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

**Basis of consolidation**

These condensed consolidated interim financial statements include the financial statements of CARL and its controlled and wholly-owned subsidiaries ETS, FlowWorks, Astra, i4C and Carl PL. ETS, FlowWorks, and Carl PL have historically maintained a fiscal year-end of December 31 and retained that year-end post acquisition. 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 condensed consolidated interim 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 condensed consolidated interim 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.



**CARL DATA SOLUTIONS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

Presented in Canadian Dollars - unaudited

**3. Significant Accounting Policies**

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended June 30, 2021 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

**4. Accounts and Other Receivables**

	September 30, 2021	June 30, 2021
Gross trade accounts receivable	\$ 609,782	\$ 514,047
Related party accounts receivable	13,473	45,221
Less: allowance for doubtful accounts	(14,239)	(15,079)
Net trade accounts receivable	609,016	544,189
GST receivable	172,132	160,714
	\$ 781,148	\$ 704,903

Reconciliation of allowance for doubtful accounts is as follows:

	September 30, 2021	June 30, 2021
Balance – beginning of period	\$ 15,079	\$ 12,681
Allowance provided for doubtful accounts (recovery)	(840)	5,603
Bad debts written off	-	(3,205)
Balance – end of period	\$ 14,239	\$ 15,079

**5. Digital Currencies**

As at September 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](http://www.cryptocompare.com). The Company's holdings of digital currencies consist of the following:

	September 30, 2021	June 30, 2021
Ethereum	\$ 1,568	\$ 1,568
	\$ 1,568	\$ 1,568

The continuity of digital currencies was as follows:

	September 30, 2021	June 30, 2021
Balance – beginning of period	\$ 1,568	\$ 519
Revaluation adjustment	-	1,049
Balance – end of period	\$ 1,568	\$ 1,568

**CARL DATA SOLUTIONS INC.**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**

Presented in Canadian Dollars - unaudited

**6. Property, Equipment, and Right-of-Use Assets**

	<b>Machinery and equipment</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Right-of-use assets</b>	<b>Digital currency processors</b>	<b>Total</b>
<b>Cost</b>						
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 9)	-	-	-	(1,014,763)	-	(1,014,763)
Written-off	-	-	(7,173)	-	(291,337)	(298,510)
Balance – June 30, and September 30, 2021	\$ 102,790	\$ 14,063	\$ 395,593	\$ 266,989	\$ -	\$ 779,435
<b>Accumulated Depreciation</b>						
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 9)	-	-	-	(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
Depreciation	2,184	358	10,094	23,255	-	35,891
Balance – September 30, 2021	\$ 75,860	\$ 9,642	\$ 203,795	\$ 204,975	\$ -	\$ 494,272
Balance – June 30, 2021	\$ 29,114	\$ 4,779	\$ 201,892	\$ 85,269	\$ -	\$ 321,054
Balance – September 30, 2021	\$ 26,930	\$ 4,421	\$ 191,798	\$ 62,014	\$ -	\$ 285,163

**7. Intangible Assets**

	<b>FlowWorks Software Application</b>	<b>FlowWorks Customer List</b>	<b>Electrical Systems Cert.</b>	<b>Control System Source Code</b>	<b>Augmented Business Intelligence Software</b>	<b>Sensor Firmware</b>	<b>Total</b>
<b>Cost</b>							
Balance – June 30, 2020	\$ 675,234	\$ 659,154	\$ 23,500	\$ 56,000	\$ 540,697	\$ 181,133	\$ 2,135,718
Impairment	-	-	-	-	-	-	-
Balance – June 30, 2021 and September 30, 2021	\$ 675,234	\$ 659,154	\$ 23,500	\$ 56,000	\$ 540,697	\$ 181,133	\$ 2,135,718
<b>Accumulated Amortization</b>							
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
Amortization	-	-	-	-	-	20,126	20,126
Balance – September 30, 2021	\$ 683,159	\$ 670,014	\$ 23,500	\$ 56,000	\$ 540,697	\$ 120,756	\$ 2,094,126
<b>Translation Adjustment</b>							
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
Foreign currency translation	-	-	-	-	-	-	-
Balance – September 30, 2021	\$ 7,925	\$ 10,860	\$ -	\$ -	\$ -	\$ -	\$ 18,785
Balance – June 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,503	\$ 80,503
Balance – September 30, 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,377	\$ 60,377

**CARL DATA SOLUTIONS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

Presented in Canadian Dollars - unaudited

**7. 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, was 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, was 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, was 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, was 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 1.00 year remaining unamortized, as these assets were not put into use until the first quarter of the year ended June 30, 2020.

**8. Accounts Payable and Accrued Liabilities**

	<b>September 30, 2021</b>		<b>June 30, 2021</b>
Trade accounts payable	\$ 477,670	\$	635,449
Due to related parties (note 17)	40,028		172,529
	<b>\$ 517,698</b>	<b>\$</b>	<b>807,978</b>

**9. 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.

**CARL DATA SOLUTIONS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

Presented in Canadian Dollars - unaudited

**9. Lease Liabilities (continued)**

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

Fiscal year	Payment
2022	\$ 71,797
Effect of discounting at the incremental borrowing rate	(2,043)
Total lease liabilities at September 30, 2021	\$ 69,754

Lease liabilities	September 30, 2021	June 30, 2021
Balance – beginning of period	\$ 94,741	\$ 1,147,881
Lease accretion	1,937	37,807
Lease payments	(26,924)	(148,177)
Adjustment on modification of lease	-	908
Derecognized	-	(943,678)
Balance, end of period	69,754	94,741
Current lease liabilities	(69,754)	(94,741)
Non-current lease liabilities	\$ -	\$ -

**10. Loans Payable**

	September 30, 2021	June 30, 2021
Balance – beginning of period	\$ 304,875	\$ 1,063,716
Advances of loans	-	60,000
Interest and fees accrued	2,472	66,670
Repayments – cash	(12,735)	(169,506)
Settlements – shares issued (note 12)	-	(716,005)
Balance – end of period	294,612	304,875
Current portion	(42,255)	(41,735)
Non - current portion	\$ 252,357	\$ 263,140

As at September 30, 2021 and for the year ending June 30, 2021, the following loans were outstanding:

	Note reference	Interest rate – per annum	September 30, 2021	June 30, 2021
CEBA loan	10(a)	-	\$ 100,000	\$ 100,000
Arm's length loan	10(b)	2.5% + prime	194,612	204,875
			\$ 294,612	\$ 304,875

**CARL DATA SOLUTIONS INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**10. Loans Payable (continued)**

- 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 (June 30, 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) \$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 September 30, 2021, \$194,612 (June 30, 2021 - \$204,875) remained payable and was included within loans payable on the statement of financial position.

**11. Convertible Notes**

The Company did not issue or settle any convertible notes during the period ended September 30, 2021.

During the year ended June 30, 2021, 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, could be converted 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 12) 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) \$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;

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**11. Convertible Notes (continued)**

- d) \$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; and
- e) 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.

	September 30, 2021	June 30, 2021
Balance – beginning of period	\$ 198,702	\$ 754,619
Additions	-	250,000
Equity component of additions	-	(70,191)
Accretion of convertible notes	13,585	101,394
Interest accrued	-	34,452
Settled through conversion	-	(233,920)
Settled through share issuance	-	(150,000)
Repayment of convertible notes	-	(487,652)
Balance – end of period	\$ 212,287	\$ 198,702
Convertible notes, equity component – end of period	\$ 70,191	\$ 70,191
Value of notes at maturity	\$ 303,875	\$ 303,875

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

As at September 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**

The Company did not issue any shares during the period ended September 30, 2021.

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 11);
- (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 17) 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;

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

- (iv) On February 5, 2021, on conversion of an aggregate of \$105,587 in convertible debentures (note 11), 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;
- (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 11). 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 17). 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 11), the Company issued 706,667 common shares.

**13. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of warrants
Balance – June 30, 2020	\$0.50	2,000,000
Granted	\$0.25	37,341,920
Balance – June 30, 2021	\$0.26	39,341,920
Expired	\$0.50	2,000,000
Balance – September 30, 2021	\$0.25	37,341,920

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

	Exercise price	Number of warrants	Expiry date
Share purchase warrants	\$0.25	37,341,920 39,341,920	February 13, 2023

**14. Share-Based Payments**

On November 24, 2021, subsequent to the quarter ended September 30, 2021, the shareholders of the Company adopted a stock option plan to replace the plan originally adopted on January 22, 2015. Under the terms of this plan, the total number of share purchase options to be granted and outstanding may not exceed 20% 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.

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**14. Share-Based Payments (continued)**

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

	Weighted average exercise price	Number of Options
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
Expired / Cancelled	\$0.14	(30,000)
Balance – September 30, 2021	\$0.22	11,087,247

Incentive share options outstanding and exercisable September 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	0.56 years	\$0.19	1,025,000	\$0.19
\$0.16	500,000	0.69 years	\$0.16	500,000	\$0.16
\$0.14	3,312,247	1.04 years	\$0.14	3,312,247	\$0.14
\$0.20	500,000 <sup>(1)</sup>	0.09 years	\$0.20	500,000 <sup>(1)</sup>	\$0.20
\$0.14	1,000,000	1.04 years	\$0.14	1,000,000	\$0.14
\$0.14	1,000,000	4.28 years	\$0.14	500,000	\$0.14
\$0.26	500,000	2.33 years	\$0.26	500,000	\$0.26
\$0.38	1,300,000	4.37 years	\$0.38	650,000	\$0.38
\$0.38	450,000	2.37 years	\$0.38	450,000	\$0.38
\$0.38	1,500,000	4.43 years	\$0.38	750,000	\$0.38
	11,087,247		\$0.22	9,187,247	\$0.20

<sup>(1)</sup> Subsequent to the period ended September 30, 2021, these options expired unexercised.

The Company did not grant any stock options for the period ended September 30, 2021 (June 30, 2021 – 6,280,000 granted with a weighted average fair value of \$0.19). Total share-based payments recognized in the statement of shareholders' equity for the period ended September 30, 2021 was \$175,597 (2020 - \$nil) for incentive options vested and was recognized in the profit or loss. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	September 30, 2021	June 30, 2021
Weighted average share price	N/A	\$0.25
Weighted average exercise price	N/A	\$0.29
Risk-free interest rate	N/A	0.53%
Expected life of option	N/A	4.18 years
Expected annualized volatility	N/A	117.82%
Expected dividend rate	N/A	Nil



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**15. 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 \$2,269,206 at September 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 September 30, 2021 remains fundamentally unchanged from the year ended June 30, 2021.

**16. Supplemental Cash Flow Information**

There were no non-cash transactions for the period ended September 30, 2021.

During the period ended September 30, 2020, the Company:

- a) Recognized the settlement of \$19,333 on the issuance of shares to settle a convertible note;
- b) Recognized \$23,325 previously included as advances against payments of lease liabilities;
- c) Recognized lease liabilities and right-of-use assets in the amount of \$943,678 on the termination of a lease; and
- d) Reclassified \$870 from the equity conversion feature on convertible notes to reserves on the settlement of convertible notes.

**17. 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 period ended September 30, 2021, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 45,000	\$ 94,727	\$ 139,727
Chief Financial Officer	30,000	-	30,000
Non-executive Directors	-	-	-
<b>Total</b>	<b>\$ 75,000</b>	<b>\$ 94,727</b>	<b>\$ 169,727</b>

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

	Consulting Fees	Share-based payments	Total
Former Chief Executive Officer	\$ 40,000	\$ -	\$ 40,000
Chief Financial Officer	18,000	-	18,000
Non-executive Directors	13,500	-	13,500
<b>Total</b>	<b>\$ 71,500</b>	<b>\$ -</b>	<b>\$ 71,500</b>

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**17. Related Party Transactions** (continued)

Included in accounts payable and accrued liabilities as at September 30, 2021 is \$40,028 (June 30, 2021 - \$172,529) 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 \$24,949 (2020 - \$24,150) recorded in profit or loss is from RA for the period ended September 30, 2021. As at September 30, 2021, \$43,103 (June 30, 2021 - \$33,810) was owed from RA.

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

KWL, a consulting engineering company, founded and created FlowWorks and is related through a director of the Company. During the period ended September 30, 2021, the Company earned data services revenue from KWL of \$27,850 (2020 - \$42,700) and incurred expenses from KWL of \$2,448 (2020 - \$18,084), which are recorded in office and miscellaneous, and consulting expenses. Included in accounts receivable as at September 30, 2021 is a balance owing from KWL of \$13,473 (June 30, 2021 - \$45,221). Included in accounts payable and accrued liabilities as at September 30, 2021 is a balance owing to KWL of \$nil (June 30, 2021 - \$47,250).

**18. 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.

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

As at September 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):

September 30,	US Dollars		Polish Zloty	
	2021	2020	2021	2020
<b>Financial Assets</b>				
Cash	\$ 36,847	\$ 35,514	\$ 26,961	\$ 18,561
Accounts receivable	274,227	295,946	-	-
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	\$ 182,073	\$ 74,877	\$ 19,890	\$ 27,356

The Company's subsidiary, FlowWorks, operates in the United States which, from the perspective of the Company, creates currency risk associated with those operations. For the period ended September 30, 2021, FlowWorks has revenue of \$286,972 (2020 - \$ 365,079) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a \$29,000 (2020 - \$ 36,000) (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 September 30, 2021 and June 30, 2021, 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 65% of its trades account receivable is owing from four customers (June 30, 2021 – 58% from four customers), with more than 10% owing from one of those customers (June 30, 2021 – 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 September 30, 2021 of \$14,239 (June 30, 2020 - \$15,079).

*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 11 and 10, respectively. The Company has limited working capital as at September 30, 2021 and will need to raise further financing to meet its financial obligations.

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**19. Segmented Information**

The Company operates in one reportable segment, comprised of data services, 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 period ended September 30, 2021 and 2020:

	<b>2021</b>		<b>2020</b>	
<b>Revenue</b>				
Canada	\$	276,822	\$	656,807
United States		104,148		157,067
	\$	380,970	\$	813,874

All of the Company's non-current assets were located in Canada as at September 30, 2021 and June 30, 2021.