# infinitii ai inc.

**(FORMERLY CARL DATA SOLUTIONS INC.)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**(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 infinitii ai 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.

**infinitii ai inc.** (Formerly Carl Data Solutions Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
Presented in Canadian Dollars - unaudited

| As at | | September 30, 2022 | | June 30, 2022 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | $ | 701,434 | $ | 1,192,906 |
| Accounts and other receivables (note 4) | | 417,756 | | 401,332 |
| Prepaid expenses | | 10,604 | | 11,781 |
| | | 1,129,794 | | 1,606,019 |
| **Non-Current Assets** | | | | |
| Property, equipment, and right-of-use assets (note 6) | | 2,499 | | 3,345 |
| Goodwill | | 118,775 | | 118,775 |
| **Total Assets** | $ | 1,251,068 | $ | 1,728,139 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities (note 8) | $ | 333,485 | $ | 338,778 |
| Current portion of loans payable (note 10) | | 44,337 | | 43,836 |
| Convertible notes (note 11) | | 275,973 | | 258,313 |
| Deferred revenue | | 178,191 | | 283,492 |
| | | 831,986 | | 924,419 |
| **Non-Current Liabilities** | | | | |
| Loans payable (note 10) | | 209,139 | | 219,516 |
| **Total Liabilities** | | 1,041,125 | | 1,143,935 |
| **Shareholders' Equity** | | | | |
| Share capital (note 12) | | 24,837,032 | | 24,837,032 |
| Reserves (notes 11 and 14) | | 3,161,209 | | 3,125,244 |
| Equity conversion feature on convertible note (note 11) | | 70,191 | | 70,191 |
| Foreign currency translation reserve | | 98,795 | | 51,717 |
| Deficit | | (27,957,284) | | (27,499,980) |
| | | 209,943 | | 584,204 |
| **Total Liabilities and Shareholders' Equity** | $ | 1,251,068 | $ | 1,728,139 |

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

**AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD ON NOVEMBER 29, 2022**

| | |
|---|---|
| *"Kevin Ma"* | *"Chris Johnston"* |
| **Director** | **Director** |

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

**infinitii ai inc.** (Formerly 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, 2022 | | September 30, 2021 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Data services (note 17) | $ | 247,316 | $ | 349,899 |
| Social referral software (note 17) | | 26,550 | | 24,949 |
| Custom programming service contracts | | 152,160 | | 6,122 |
| | | 426,026 | | 380,970 |
| **Expenses** | | | | |
| Accretion of convertible notes (note 11) | | 17,660 | | 13,585 |
| Amortization of intangible assets (note 7) | | - | | 20,126 |
| Bad debt expense (notes 4 and 18) | | 437 | | (1,151) |
| Computer hosting costs | | 65,241 | | 63,920 |
| Consulting (note 17) | | 176,157 | | 324,855 |
| Depreciation of property, equipment, and right-of-use assets (note 6) | | 846 | | 35,891 |
| Filing and transfer agent | | 4,884 | | 5,714 |
| Foreign exchange loss (gain) | | 28,439 | | 1,756 |
| Interest and penalties (notes 10 and 11) | | 3,560 | | 3,594 |
| Investor relations | | 24,710 | | 2,244 |
| Marketing | | 13,460 | | 33,677 |
| Office and miscellaneous (note 17) | | 47,017 | | 54,378 |
| Professional fees | | 44,175 | | 49,166 |
| Share-based payments (notes 14 and 17) | | 35,965 | | 175,597 |
| Salaries and wages | | 354,121 | | 264,514 |
| Travel | | 66,658 | | 22,437 |
| | | 883,330 | | 1,070,303 |
| **Operating loss** | | (457,304) | | (689,333) |
| **Other items** | | | | |
| Accretion on lease liabilities (note 9) | | - | | (1,937) |
| **Loss for the period** | | (457,304) | | (691,270) |
| **Other comprehensive income** | | | | |
| Foreign exchange gain (loss) on translation of subsidiary | | 47,078 | | 4,118 |
| **Comprehensive loss for the period** | $ | (410,226) | $ | (687,152) |
| **Weighted Average Number of Common Shares Outstanding** | | | | |
| Basic and Diluted | | 126,424,783 | | 126,424,783 |
| **Loss Per Share** | | | | |
| Basic and Diluted | $ | (0.00) | $ | (0.01) |

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

**infinitii ai inc.** (Formerly Carl Data Solutions Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Presented in Canadian Dollars - unaudited

| For the three months ended | September 30, 2022 | September 30, 2021 |
|---|---|---|
| **Cash Flows used in Operating Activities** | | |
| Loss for the period | $ (457,304) | $ (691,270) |
| Non-cash items | | |
| Amortization of intangible assets | - | 20,126 |
| Accretion on convertible notes | 17,660 | 13,585 |
| Accretion on lease liabilities | - | 1,937 |
| Depreciation of property, equipment, and right-of-use assets | 846 | 35,891 |
| Interest expense | 2,859 | 2,472 |
| Share-based payments | 35,965 | 175,597 |
| Changes in non-cash working capital items: | | |
| Accounts and other receivables | 1,724 | (68,443) |
| Prepaid expenses | 1,146 | 7,082 |
| Deferred revenue | (117,504) | - |
| Accounts payable and accrued liabilities | (7,082) | (294,894) |
| | (521,690) | (797,917) |
| **Cash Flows provided by Financing Activities** | | |
| Payment towards lease liabilities | - | (26,924) |
| Repayment of loans payable | (12,735) | (12,735) |
| | (12,735) | (39,659) |
| **Effect of foreign exchange on cash** | 42,953 | 842 |
| **Change in cash during the period** | (491,472) | (836,734) |
| **Cash – beginning of period** | 1,192,906 | 2,903,056 |
| **Cash – end of period** | $ 701,434 | $ 2,066,322 |

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

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

**infinitii ai inc.** (Formerly Carl Data Solutions Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Presented in Canadian Dollars – unaudited

| | Share Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Reserves | Equity feature on convertible note | Foreign currency translation reserve | Deficit | Total |
| **Balance – June 30, 2021** | 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 |
| **Balance – September 30, 2021** | 126,424,783 | 24,837,032 | 3,063,657 | 70,191 | 31,441 | (25,733,115) | 2,269,206 |
| Net loss and comprehensive loss for the period | - | - | - | - | 20,276 | (1,766,865) | (1,746,589) |
| Share based payments | - | - | 61,587 | - | - | - | 61,587 |
| **Balance – June 30, 2022** | 126,424,783 | 24,837,032 | 3,125,244 | 70,191 | 51,717 | (27,499,980) | 584,204 |
| Net loss and comprehensive loss for the period | - | - | - | - | 47,078 | (457,304) | (410,226) |
| Share based payments | - | - | 35,965 | - | - | - | 35,965 |
| **Balance – September 30, 2022** | 126,424,783 | $ 24,837,032 | $ 3,161,209 | $ 70,191 | $ 98,795 | $ (27,957,284) | $ 209,943 |

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

Presented in Canadian Dollars - unaudited

## 1. Description of Business and Going Concern

infinitii ai inc. (formerly Carl Data Solutions Inc.) ("**infinitii ai**" or the "**Company**") was incorporated under the *Business Corporations Act* (British Columbia) on January 17, 2014. Trusted since then to provide environmental monitoring to many of the largest water utilities in the U.S. and Canada, the Company has evolved into a leader in Artificial Intelligence (AI) driven predictive analytics for industrial and Smart City infrastructure applications that rely on time-series data. The Company serves its customers via a trusted partner network that includes engineering and IT services companies like AECOM, Core & Main, Kerr Wood Leidal, K2 Geospatial and CSL Services. The Company changed its name from Carl Data Solutions Inc. to infinitii ai inc. effective October 7, 2022.

Infinitii ai's software performs real-time analysis, checks flow monitoring status, sets alarms through a single interface, accepts all types of data from any source and offers predictive and prescriptive analytics. From real-time, historic, wireless, satellite and SCADA data to public data sets including USGS, NOAA and weather forecasts – it doesn't matter where the data originates – the Company transforms it into actionable information.

Infinitii ai is a public company that is listed on the Canadian Securities Exchange ("**CSE**") (under the symbol: iai), 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% |
| infinitii ai corporation (formerly FlowWorks Inc.) | 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, 2022, the Company had not achieved profitable operations, had accumulated a deficit of $27,957,284 (June 30, 2022 - $27,499,980) 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 and Interpretations of the IFRS Interpretations Committee.

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

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

**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 condensed consolidated interim 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 infinitii ai corporation 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.

*Estimated 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.

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

*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. The expected credit losses related to accounts receivable are accumulated and individual accounts have been provided for.

**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 and 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.

**Basis of consolidation**

These condensed consolidated interim financial statements include the financial statements of infinitii ai and its controlled and wholly-owned subsidiaries ETS, infinitii ai corporation, Astra, i4C and Carl PL. ETS, infinitii ai corporation, 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 produce 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, 2022 and 2021. 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.

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, 2022 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

## 4. Accounts and Other Receivables

| | | September 30, 2022 | | June 30, 2022 |
|---|---|---|---|---|
| Gross trade accounts receivable | $ | 316,273 | $ | 302,927 |
| Related party accounts receivable | | 36,325 | | 43,477 |
| Less: allowance for doubtful accounts | | (16,356) | | (14,115) |
| Net trade accounts receivable | | 336,242 | | 332,289 |
| GST receivable | | 81,514 | | 69,043 |
| | $ | 417,756 | $ | 401,332 |

Reconciliation of allowance for doubtful accounts is as follows:

| | | September 30, 2022 | | June 30, 2022 |
|---|---|---|---|---|
| Balance – beginning of period | $ | 14,115 | $ | 15,079 |
| Allowance provided for doubtful accounts (recovery) | | 2,241 | | (964) |
| Bad debts written off | | - | | - |
| Balance – end of period | $ | 16,356 | $ | 14,115 |

## 5. Digital Currencies

As at September 30, 2022, the Company's digital currencies had a fair value of $nil (June 30, 2022 - $nil).
The continuity of digital currencies was as follows:

| | | September 30, 2022 | | June 30, 2022 |
|---|---|---|---|---|
| Balance – beginning of period | $ | - | $ | 1,568 |
| Disposals | | - | | (7,715) |
| Revaluation adjustment | | - | | 6,147 |
| Balance – end of period | $ | - | $ | - |

During the year ended June 30, 2022, the Company sold its remaining digital currencies for proceeds of $7,715.

Presented in Canadian Dollars - unaudited

## 6. 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, 2021 | $ 102,790 | $ 14,063 | $ 395,593 | $ 266,989 | $ - | $ 779,435 |
| Amendments to lease liabilities | - | - | - | 1,518 | - | 1,518 |
| Written-off | (102,790) | - | (395,593) | (268,507) | - | (766,890) |
| Balance – June 30, 2022 and September 30, 2022 | $ - | $ 14,063 | $ - | $ - | $ - | $ 14,063 |
| **Accumulated Depreciation** | | | | | | |
| Balance – June 30, 2021 | $ 73,676 | $ 9,284 | $ 193,701 | $ 181,720 | $ - | $ 458,381 |
| Depreciation | 6,551 | 1,434 | 30,284 | 86,787 | - | 125,056 |
| Written-off | (80,227) | - | (223,985) | (268,507) | - | (572,719) |
| Balance – June 30, 2022 | - | 10,718 | - | - | - | 10,718 |
| Depreciation | - | 846 | - | - | - | 846 |
| Balance – September 30, 2022 | $ - | $ 11,564 | $ - | $ - | $ - | $ 11,564 |
| Balance – June 30, 2022 | $ - | $ 3,345 | $ - | $ - | $ - | $ 3,345 |
| Balance – September 30, 2022 | $ - | $ 2,499 | $ - | $ - | $ - | $ 2,499 |

During the year ended June 30, 2022, the Company determined that its machinery and equipment and its furniture and fixtures no longer had any value due to the Company no longer occupying commercial office space so these assets were written off.

## 7. Intangible Assets

| | Sensor Firmware |
|---|---|
| **Cost** | |
| Balance – June 30, 2021, June 30, 2022, and September 30, 2022 | $ 181,133 |
| **Accumulated Amortization** | |
| Balance – June 30, 2021 | $ 100,630 |
| Amortization | 80,503 |
| Balance – June 30, 2022 and September 30, 2022 | $ 181,133 |
| Balance – June 30, 2022 and September 30, 2022 | $ - |

*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 put into use in the first quarter of the year ended June 30, 2020, was amortized over a 3-year term and was fully amortized during the year ended June 30, 2022.

## 8. Accounts Payable and Accrued Liabilities

| | September 30, 2022 | June 30, 2022 |
|---|---|---|
| Trade accounts payable | $ 286,473 | $ 310,598 |
| Due to related parties (note 17) | 47,012 | 28,180 |
| | $ 333,485 | $ 338,778 |

Presented in Canadian Dollars - unaudited

## 9. Lease Liabilities

As at June 30, 2021, the Company held one office lease with remaining payments of $98,720. The present value of the lease was calculated using a discount rate of 10%. During the year ended June 30, 2022, as a result of amendments to the lease, the Company recognized additions of $1,518 to lease liabilities and right-of-use assets (note 6). During the year ended June 30, 2022, the office lease was paid in full and terminated.

| **Lease liabilities** | | **September 30, 2022** | | **June 30, 2022** |
|---|---|---|---|---|
| Balance – beginning of period | $ | - | $ | 94,741 |
| Lease accretion | | - | | 4,005 |
| Lease payments | | - | | (100,264) |
| Adjustment on modification of lease | | - | | 1,518 |
| Balance, end of period | | - | | - |
| Current lease liabilities | | - | | - |
| Non-current lease liabilities | $ | - | $ | - |

## 10. Loans Payable

| | | **September 30, 2022** | | **June 30, 2022** |
|---|---|---|---|---|
| Balance – beginning of period | $ | 263,352 | $ | 304,875 |
| Interest and fees accrued | | 2,859 | | 9,417 |
| Repayments – cash | | (12,735) | | (50,940) |
| Settlements – shares issued (note 12) | | - | | - |
| Balance – end of period | | 253,476 | | 263,352 |
| Current portion | | (44,337) | | (43,836) |
| Non - current portion | $ | 209,139 | $ | 219,516 |

As at September 30, 2022 and June 30 2022, the following loans were outstanding:

| | | | **Loan balances, with interest** | | | |
|---|---|---|---|---|---|---|
| | **Note reference** | **Interest rate – per annum** | | **September 30, 2022** | | **June 30, 2022** |
| CEBA loan | 10(a) | - | $ | 100,000 | $ | 100,000 |
| Arm's length loan | 10(b) | 2.5% + prime | | 153,476 | | 163,352 |
| | | | $ | 253,476 | $ | 263,352 |

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, 2020, the Company applied for the CEBA and received the $40,000 loan in infinitii ai. During the year ended June 30, 2021, i4C applied for and received a CEBA loan of $40,000 and infinitii ai received an additional $20,000 CEBA loan. The CEBA remains interest free until December 31, 2023 and has no fixed repayment schedule. If $70,000 (2022 - $70,000) is repaid on or before December 31, 2023, the remaining $30,000 (2021 - $30,000) will be forgiven. If at December 31, 2023, 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.

Presented in Canadian Dollars - unaudited

**10. Loans Payable** (continued)

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.

**11. Convertible Notes**

The Company did not issue or settle any convertible notes during the period ended September 30, 2022 or the year ended June 30, 2022.

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, 2022** | | **June 30, 2022** |
|---|---|---|---|---|
| Balance – beginning of period | $ | 258,313 | $ | 198,702 |
| Accretion of convertible notes | | 17,660 | | 59,611 |
| Balance – end of period | $ | 275,973 | $ | 258,313 |
| 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, 2022, 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, 2022 or the year ended June 30, 2022.

**13. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

| | **Weighted average exercise price** | **Number of warrants** |
|---|---|---|
| Balance – June 30, 2021 | $0.26 | 39,341,920 |
| Granted | $0.50 | (2,000,000) |
| Balance – June 30, 2022 and September 30, 2022 | $0.25 | 37,341,920 |

Presented in Canadian Dollars - unaudited

**13. Warrants** (continued)

The details of outstanding share purchase warrants are as follows:

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

**14. Share-Based Payments**

During the year ended June 30, 2022, 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 are granted, have a minimum price of $0.10 per share 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, 2021 | $0.22 | 11,117,247 |
| Expired / Cancelled | $0.22 | (2,680,000) |
| Balance – June 30 and September 30, 2022 | $0.23 | 8,437,247 |

Incentive share options outstanding and exercisable September 30, 2022 are summarized as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number of Shares Issuable on Exercise | Weighted Average Remaining Life | Weighted Average Exercise Price | Number of Shares Issuable on Exercise | Weighted Average Exercise Price |
| $0.14 | 3,187,247[(1)] | 0.04 years | $0.14 | 3,187,247[(1)] | $0.14 |
| $0.14 | 1,000,000[(1)] | 0.04 years | $0.14 | 1,000,000[(1)] | $0.14 |
| $0.14 | 1,000,000 | 3.28 years | $0.14 | 1,000,000 | $0.14 |
| $0.26 | 500,000 | 1.33 years | $0.26 | 500,000 | $0.26 |
| $0.38 | 1,300,000 | 3.37 years | $0.38 | 1,300,000 | $0.38 |
| $0.38 | 450,000 | 1.37 years | $0.38 | 450,000 | $0.38 |
| $0.38 | 1,000,000 | 3.43 years | $0.38 | 1,000,000 | $0.38 |
| | 8,437,247 | | $0.23 | 8,437,247 | $0.23 |

[(1)] Subsequent to the period ended September 30, 2022, these options expired unexercised.

The Company did not grant any stock options for the period ended September 30, 2022 (June 30, 2022 – $nil). Total share-based payments recognized in the condensed consolidated interim statements of changes in shareholders' equity for the period ended September 30, 2022 was $35,965 (2021 - $175,597) for incentive options vested and was recognized in 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:

Presented in Canadian Dollars - unaudited

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

| | **September 30, 2022** | **June 30, 2022** |
|---|---|---|
| Weighted average share price | N/A | N/A |
| Weighted average exercise price | N/A | N/A |
| Risk-free interest rate | N/A | N/A |
| Expected life of option | N/A | N/A |
| Expected annualized volatility | N/A | N/A |
| Expected dividend rate | N/A | N/A |

On February 14, 2022, the Company entered into a contractor agreement with market2world communications inc. (the "Contractor"). Under the terms of that agreement, the Company is committed to issuing 200,000 common share purchase options to an associated company of the Contractor. The options will be granted according to the terms and conditions of the Company's stock option plan, one quarter of the options will vest every three months over a 12 month period, and the exercise price per share would be determined by the greater of the closing market price of the common shares of the Company as traded on the Canadian Securities Exchange, or at such other price as the Board of Directors decides on the day of grant. These options remained unissued as at September 30, 2022.

**15. Management of Capital**

The capital managed by the Company includes the components of shareholders' equity as described in the condensed consolidated interim statements of changes in shareholders' equity, which totals $209,943 at September 30, 2022 (June 30, 2022 - $584,204). 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 financing 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, 2022 remains fundamentally unchanged from the year ended June 30, 2022.

**16. Supplemental Cash Flow Information**

There were no non-cash transactions for the periods ended September 30, 2022 and 2021.

**17. Related Party Transactions**

On January 2, 2021, the Company entered into an executive consulting agreement for services related to acting as CEO of the Company with a company controlled by the CEO of the Company. Under the terms of the agreement, the Company pays monthly consulting fees of $15,000 ($180,000 annually). The agreement has no fixed term and includes a termination benefit equal to twelve months of pay.

On July 1, 2020, the Company amended a previous executive consulting agreement with the CFO of the Company whereby Company pays monthly consulting fees of $10,000 ($120,000 annually). The agreement has no fixed term and includes a termination benefit equal to six months of pay or twelve months if termination is due to a change of control.

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 pays monthly consulting fees of $13,333 ($159,996 annually). The new agreement has no fixed term and includes a termination benefit equal to twelve months of pay.

Presented in Canadian Dollars - unaudited

## 17. Related Party Transactions (continued)

Related parties include key management personnel, who 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, 2022, the Company paid or accrued, to key management personnel and their related companies:

| | Consulting Fees | Share-based payments | Total |
|---|---|---|---|
| Chief Executive Officer | $ 45,000 | $ - | $ 45,000 |
| Chief Financial Officer | 30,000 | - | 30,000 |
| President | 40,000 | - | 40,000 |
| Total | $ 115,000 | $ - | $ 115,000 |

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 |
| President | 40,000 | - | 40,000 |
| Total | $ 115,000 | $ 94,727 | $ 209,727 |

Included in accounts payable and accrued liabilities as at September 30, 2022 is $47,012 (June 30, 2022 - $28,180) due to officers and directors and their related organizations.

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 $26,550 (2021 - $24,949) recorded in profit or loss is from RA for the period ended September 30, 2022. As at September 30, 2022, $36,330 (June 30, 2022 - $25,358) was owed from RA.

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

KWL, a consulting engineering company, founded and created infinitii ai corporation and is related through a director of the Company. During the period ended September 30, 2022, the Company earned data services revenue from KWL of $32,300 (2021 – $27,850) and incurred expenses from KWL of $679 (2021 – $2,448), which are recorded in office and miscellaneous, and consulting expenses. Included in accounts receivable as at September 30, 2022 is a balance owing from KWL of $36,325 (June 30, 2022 - $43,477). Included in accounts payable and accrued liabilities as at September 30, 2022 is a balance owing to KWL of $nil (June 30, 2022 - $3,598).

## 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.

Presented in Canadian Dollars - unaudited

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

**Fair value of financial instruments**

The Company's financial instruments consist 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 condensed consolidated interim statements of financial position is measured in accordance with Level 1 of the fair value hierarchy.

**Financial and capital risk management**

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

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

*Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2022 and 2021, the Company was not subject to significant equity price risk. The Company's foreign currency risk and interest rate risk are as follows:

*Foreign currency risk*

As at September 30, 2022 and 2021 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):

| | US Dollars | | Polish Zloty | |
|---|---|---|---|---|
| September 30, | **2022** | **2021** | **2022** | **2021** |
| Financial Assets | | | | |
| Cash | $ 317,931 | $ 36,847 | $ 17,169 | $ 26,961 |
| Accounts receivable | 299,912 | 274,227 | - | - |
| Financial Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 38,104 | $ 182,073 | $ 14,873 | $ 19,890 |

The Company's subsidiary, infinitii ai corporation, 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, 2022, infinitii ai corporation has revenue of $399,476 (2021 - $286,972) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a $40,000 (2021 - $29,000) (Canadian dollar equivalent) change in profit or loss.

Presented in Canadian Dollars - unaudited

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

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

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash, loans payable and convertible notes. Cash generates interest based on market interest rates. As at September 30, 2022 and June 30, 2022, the Company was subject to interest rate risk with respect to its loans payable, some of which bear interest at a fixed rate, some at a variable rate and others are non-interest bearing. The Company's convertible notes bear 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 is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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 chequing accounts, at a Washington State, USA bank and at 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 21% of its trades account receivable is owing from two customers (June 30, 2022 – 24% from four customers), with more than 10% owing from two of those customers (June 30, 2022 – two).

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 receivable aged past 90 days and has estimated expected credit losses as at September 30, 2022 of $16,356 (June 30, 2022 - $14,115).

*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, 2022 and will need to raise further financing to meet its financial obligations.

**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. All of the Company's non-current assets were located in Canada as at September 30, 2022 and June 30, 2022. The following is a breakdown of revenue by geographic areas based on each customer's location for the period ended September 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Revenue** | | |
| Canada | $ 184,796 | $ 276,822 |
| United States | 241,240 | 104,148 |
| | $ 426,026 | $ 380,970 |