infinitii ai inc.

(FORMERLY CARL DATA SOLUTIONS INC.)

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022

General

This Management's Discussion and Analysis ("**MD&A**") of infinitii ai inc. (formerly Carl Data Solutions Inc.) ("**infinitii ai**" or the "**Company**") is dated March 1, 2023, and provides a review of the Company's financial results, from the viewpoint of management, for the period ended December 31, 2022 ("**F2023-Q2**") compared to the year ended June 30, 2022 ("**F2022**").

The following information should be read in conjunction with the Company's audited consolidated financial statements with accompanying notes as at and for the years ended June 30, 2022 and the Company's condensed consolidated interim financial statements for the period ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Company are available on the SEDAR website at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

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

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

Description of Business

infinitii ai inc. 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 Smart City water and Smart Industry infrastructure applications that rely on time-series data.

The company's customers include the smart cities and municipalities of Toronto, Seattle, Miami-Dade County, Boston, Dallas, Region of Peel, Vancouver and Los Angeles County, among others.

infinitii ai services these customers through direct sales and via a trusted partner network that includes engineering and IT companies like AECOM, Core & Main Inc. ("**Core & Main**"), Kerr Wood Leidal Associates Ltd., K2 Geospatial and SCG Flowmetrix Technical Services Inc. ("**SCG Flowmetrix**").

infinitii ai 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 (what will happen) and prescriptive (what should happen) analytics. Whether it's real-time, historic, wireless, satellite, SCADA or public data sets including USGS, NOAA and weather forecasts – it doesn't matter where the data originates, infinitii ai transforms raw data into actionable information.

The Company is a public company that is listed on the Canadian Securities Exchange (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 consolidated financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
Extend to Social Media Inc. ("**ETS**")	British Columbia	100%
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%

The Company has all the elements in place to successfully take on the AI-driven predictive analytics software space as required for a wider variety of municipal and industrial infrastructure customers.

With its proven Smart City water and wastewater infrastructure solutions and a new generation of AI-enabled Machine Learning (ML) software products, the Company is in a good position for strong growth in new markets such as Smart Industry infrastructure verticals that could include renewable energy utilities, ports, airports and industrial and transportation companies.

Going Concern

The Company's 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 the condensed consolidated interim financial statements. The Company's 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 December 31, 2022, the Company had not achieved profitable operations, had accumulated a deficit of $28,284,035 since inception and expects to incur further operating losses in the development of its business. The Company's ability to continue as a going concern is dependent upon the ability to develop its business units, develop marketable software, potentially find, acquire and develop various other business segments with growth potential, its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These events and conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Recent and Subsequent Events & Overall Performance

Completed Private Placements and Share Issuances

During the period ended December 31, 2022, the Company did not complete any share transactions. Subsequently, on February 7, 2023, the Company issued three convertible debentures with an aggregate value of $525,000, an expiration date of February 7, 2024, an interest rate of 7% compounded annually, a conversion price of $0.07 per unit which are payable upon maturity. Each unit is comprised of one common share of the Company plus one warrant entitling the holder to purchase one common share of the Company for $0.15 for 36 months from issue.

Granting of Stock Options

During and subsequent to the period ended December 31, 2022, the Company did not grant any stock options or any other securities pursuant to the Company's Equity Incentive Plan.

Organization Structure Changes

During and subsequent to the period ended December 31, 2022, the Company did not complete any changes to its organizational structure.

Summary of Quarterly Results

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

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	$ 523,446	$ 426,026	$ 425,426	$ 448,482
Operating expenses	850,197	883,330	916,427	955,834
Loss for the period	(326,751)	(457,304)	(642,908)	(508,036)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Assets	928,267	1,251,068	1,728,139	2,253,278
Liabilities	1,048,616	1,041,125	1,143,935	1,054,716
Shareholders' (Deficiency) Equity	(120,349)	209,943	584,204	1,198,562

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	$ 362,880	$ 380,970	$ 539,942	$ 603,676
Operating expenses	977,494	1,070,303	1,608,265	1,675,079
Loss for the period	(615,921)	(691,270)	(1,078,080)	(2,849,394)
Basic and Diluted Loss per share	(0.00)	(0.01)	(0.01)	(0.03)
Assets	2,666,572	3,363,557	4,187,057	4,886,611
Liabilities	973,606	1,094,351	1,406,296	1,437,218
Shareholders' Equity	1,692,966	2,269,206	2,780,761	3,449,393

Discussion of Operations

Overview

The Company made continued progress with increasing software license revenue for the period ended December 31, 2022. Monthly revenue from contracted and subscription customers has increased 42% compared to December 31, 2021. Alongside software license momentum in F2022, operating expenses continued to decline as management made judicious use of cash to focus on new product initiatives.

From its inception through F2021 and most of F2022 the Company had a single product offering called FlowWorks. On October, 4, 2022, the Company launched its infinitii ai brand and new, better differentiated products timed to the Water Environment Federation's Technical Exhibition and Conference (WEFTEC) New Orleans tradeshow, the world's largest gathering for the water industry. infinitii ai now has a total of 15 well branded and clearly differentiated products in its portfolio. More revenue per customer sale, more interest and attention from reseller partners, and higher growth for the Company overall is the goal of these new branding and product initiatives. Contracts and partner agreements signed during the period ended December, 31, 2022, are strong indicators that the product strategy is working.

On October 6, 2022, the Company signed a contract with the City of Toronto to aggregate infinitii flowworks sites and build a new operational dashboard for the city's water treatment utility.

Also on October 6, the Company signed its first contract for infinitii auto i&i with the Regional Municipality of York ("**York Region**"). infinitii auto i&i was successfully Beta-tested with AECOM earlier in 2022 in York Region's long-term flow monitoring program – one of the largest and most advanced flow and rainfall monitoring programs in North America. infinitii auto i&i detects storm events that match defined rainfall criteria. By automating Inflow and Infiltration ("**I&I**") data gathering and reports, municipal water treatment engineers can use infinitii auto i&i to quickly see which areas of their systems are most impacted by a storm event and visualize real-time I&I metrics on a Geographic Information System (GIS) map.

On December 19, 2022, the Company announced a national USA distribution agreement for its new line of infinitii flowworks predictive analytics software with Core & Main. ,A national player in the water and wastewater industry operating across the U.S., Core & Main chose infinitii ai software to deploy in its Core+ wastewater solutions.

Core & Main is a water industry leader in the United States. Its 4,100 associates operate from 300 branch locations in 48 states across the U.S., serving a long-standing base of over 60,000 customers. It is a leading specialized distributor of water, wastewater, storm drainage and fire protection products and related services to municipalities, private water companies and professional contractors across municipal, non-residential and residential end markets nationwide.

Revenue

For the six-month ended December 31, 2022, the Company generated $949,472 in revenues (2021 - $743,850) of which $896,372 (2021 - $608,301) related to revenue generated by infinitii ai corporation, $nil related to revenue generated by the parent Company (2021 - $69,049), and $53,100 (2021 - $51,500) related to revenue generated by ETS. Revenue from infinitii ai corporation is comprised of service fees from its web-based application used for data analysis in addition to set-up fees and custom programming service contracts.

Expenses

Expenses for the six-month period ended December 31, 2022, of $1,733,527 were lower than the comparable period's operating expenditures of $2,047,797. Comparing the financial results and position for the period ended December 31, 2022 to the period ended December 31, 2021 reveals decreases in several non-cash items related to depreciation and amortization of assets, share-based payments and consulting in the period ended December 31, 2022 compared to the period ended December 31, 2021, while accelerated sales activity caused an increase in salaries, travel and computer hosting expenses.

Management continues to monitor expenses closely to ensure the Company can capitalize on new product development resulting from completion of the Digital Supercluster Fresh Water Data Commons project. The project has supplied strategic intellectual property that now underpins growth expected from the Company's new generation of AI-driven predictive analytics products.

Operating Expenses and Other Items

Total comprehensive loss for the period decreased by $561,840 from $1,302,358 in the period ended December 31, 2021 to $740,518 in the period ended December 31, 2022 primarily due to reductions in consulting fees and share-based payments. Operating expenses and other items with significant variances and balances include:

Amortization

Amortization for the period ended December 31, 2022 was $nil (2021 - $40,252). The amortization expense decreased to $nil for the period ended December 31, 2022 as the Company's final intangible asset was fully amortized during the year ended June 30, 2022.

Computer Hosting Costs

Computer hosting costs for the period ended December 31, 2022, were $139,137 (2021 - $133,014). Computer hosting costs are primarily for services provided by infinitii ai corporation and remained consistent with a slight increase period over period.

Consulting Fees

Consulting fees for the period ended December 31, 2022, were $343,131 (2021 - $627,267). Consulting fees are primarily used for management and external sales and business development consultants tasked with advancing the Company's strategy utilizing funds raised in the February 11, 2021, private placement. Consulting decreased in the current period as several consultants have completed their projects and have been phased out.

Depreciation

Depreciation for the period ended December 31, 2022, was $502 (2021 - $71,785) and decreased as a result of the termination of office leases and therefore a reduction in right of use assets during the fiscal year ended June 30, 2022. Depreciation also decreased due to a write-off of furniture and equipment of $194,171 during the year ended June 30, 2022, that was previously used in the Company's head office, when the Company decided not to renew its lease and allow employees to work from home.

Interest

Interest for the period ended December 31, 2022, was $7,508 (2021 - $7,190). Interest is charged on convertible notes and loans payable and remained consistent period over period.

Investor Relations

Investor relations expense for the period ended December 31, 2022, were $29,633 (2021 - $48,940). Investor relations fees have been comparatively low in preparation of future marketing and public relations expenditure targeted at upcoming product launches.

Office and Miscellaneous

Office and miscellaneous costs for the period ended December 31, 2022, were $92,699 (2021 - $112,030). The costs decreased substantially as the Company is no longer occupying commercial office space and incurred less administrative expense.

Professional Fees

Professional fees for the period ended December 31, 2022, were $169,921 (2021 - $156,345). Professional fees have been comparative to the prior year.

Share-based Payments

Share-based payments for the period ended December 31, 2022, were $35,965 (2021 - $214,563). The expense relates primarily to stock options granted and vested during previous periods and are not expected to be comparable over the periods as the expense is dependent on the timing of grants and vesting schedules.

Salaries and Wages

Salaries and wages for the period ended December 31, 2022, were $668,316 (2021 - $462,712). The increase in salaries and wages is primarily a result of the expansion of the Company's team to advance the Company's strategy.

Travel

Travel expenses for the period ended December 31, 2022, were $116,389 (2021 - $68,880). Travel increased from the previous year due to several executives visiting the Company's head office in Vancouver from their residences across Canada and for steadily increasing in-person sales meetings and tradeshows within North America.

Operating Activities and Plans

Company Structure

The Company has complementary operations based in Vancouver (Canada), Seattle (USA) and Gdansk (Poland).

1) Software application development, hardware research and development and the management team are led out of offices at the Company's Vancouver, British Columbia headquarters at 1090 West Georgia Street.
2) The Company also maintains an address in Seattle, Washington in support of its US sales team.
3) Data science developers with the data science expertise required by the Company are located in Gdansk, Poland.

Moving Forward

On January 23, 2023, the Company announced that through a strategic partnership with SCG Flowmetrix it had made the first sale of its infinitii flowworks pro Machine Learning software to the Region of Peel. The contract represents the largest single transaction in the Company's history. The Region of Peel ("**Peel Region**") listed the award for the Consulting Services for Flow and Rainfall Data Delivery contract at a value of $9,180,046, making it, according to SCG Flowmetrix, one of the largest flow and rainfall data delivery projects in Canada. Over the 33-month lifespan of the project, which is renewable, the Company estimates it will realize between 12% and 15% of the contract's total value based on software options that can be exercised by the Region of Peel.

SCG Flowmetrix stated that the use of the infinitii face pro streaming analytics application included in infinitii flowworks pro will enable users to add logic and algorithms for real-time data processing and operation of models, including output events and predictions. In addition, SCG Flowmetrix estimates that over one billion points of data will be captured and analyzed over the life of this project, and the Issuer's advanced machine-learning and quality assurance software will drive more actionable insights for Peel Region. Peel Region is also deploying another new product – infinitii auto qa/qc – to perform Quality Assurance and Quality Control on any sensor data outliers that may distort results or trigger false alerts, and infinitii auto i&i for detailed analysis of storm events.

Peel Region provides water and wastewater services to 1.5 million residents and over 175,000 businesses in the City of Brampton, City of Mississauga and Town of Caledon, Ontario, and handles 240 billion litres of water per year, equivalent to 263 Olympic swimming pools each day, through 3,723 kms of pipe.

On February 10, 2023, the Company announced the closing of convertible debenture financing to propel its North American growth strategy. The financing was led by ThreeD Capital Inc. ("**ThreeD**"), which is currently the Company's largest known shareholder. Proceeds will be used to increase business development and related marketing efforts with partners including Core & Main and SCG Flowmetrix alongside direct sales activities. ThreeD is a Canadian-based venture capital firm focused on investments in promising, early-stage companies with disruptive capabilities.

Liquidity and Capital Resources

Cash on hand decreased from $1,192,906 at June 30, 2022 to $234,725 on December 31, 2022. During the period ended December 31, 2022, the Company's operating activities required cash of $975,036 (2021 - $1,271,157), a decrease of $296,121. The Company had a working capital deficiency of $42,939 as at December 31, 2022 (June 30, 2022 – positive working capital of $681,600).

Financing Activities

During the period ended December 31, 2022, the Company used net cash flows of $25,470 in financing activities (2021 – $79,318). The Company's outflow included $nil (2021 - $53,848) in payments toward lease liabilities and $25,470 (2021 - $25,470) in payments toward loans.

Loans payable and convertible notes together increased modestly by $17,027 from a total of $521,665 on June 30, 2022 to $538,692 on December 31, 2022 due to $36,527 in accretion on the convertible notes offset by a $19,500 reduction in loans payable due to principal and interest payments by the Company.

Investing Activities

The Company did not have any investing activities for the periods ended December 31, 2022, and 2021.

Capital Structure

As at the date of this MD&A, the Company has 126,424,783 common shares, nil warrants, and 4,250,000 stock options outstanding. The Company also has convertible debentures outstanding which are convertible in full into approximately 17,025,840 common shares.

Overall, shareholder (deficiency) equity decreased by $704,553 from an equity position of $584,204 at June 30, 2022 to a deficiency of $120,349 at December 31, 2022.

Financial Instruments and Risk Management

Fair value of financial instruments

The Company measures the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

The Company's financial instruments 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 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 December 31, 2022 and June 30, 2022, the Company was not subject to significant market risk.

Foreign currency risk

As at December 31, 2022 and 2021, the Canadian dollar equivalent carrying values of the balances of financial assets and liabilities denominated in foreign currencies are as follows:

	US Dollars		**Polish Zloty**	
December 31,	**2022**	**2021**	**2022**	**2021**
Financial Assets				
Cash	$ 65,327	$ 36,847	$ 67,147	$ 26,961
Accounts receivable	440,389	274,227	-	-
Financial Liabilities				
Accounts payable and accrued liabilities	$ 69,284	$ 182,073	$ 42,407	$ 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 December 31, 2022, infinitii ai corporation has revenue of $949,472 (2021 - $608,301) (Canadian dollar equivalent). A 10% change in the foreign exchange rate would result in a $95,000 (2021 - $61,000) (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, loans payable and convertible notes. Cash generates interest based on market interest rates. As at December 31, 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.

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 trade accounts receivable is owing from two customers (June 30, 2022 - 24% from four customers), with more than 10% owing from one 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 December 31, 2022 of $18,642 (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 Company has low working capital as at December 31, 2022 and has recently undertaken a financing to increase its working capital so that it can meet its financial obligations in the future as required.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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 terms 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 terms 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 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.

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 December 31, 2022, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Jean Charles Phaneuf, CEO	$ 90,000[(1)]	$ -	$ 90,000
Cale Thomas, CFO	60,000	-	60,000
Greg Johnston, President	80,000[(2)]	-	80,000
Total	$ 230,000	$ -	$ 230,000

(1) comprised of fees paid to 9299-5257 Quebec Inc., a company wholly owned by Jean Charles Phaneuf.
(2) comprised of fees paid to BDirect Online Communications Inc., a company wholly owned by Greg Johnston.

During the period ended December 31, 2021, the Company paid or accrued, to key management personnel and their related companies:

	Consulting Fees	Share-based payments	Total
Jean Charles Phaneuf, CEO	$ 90,000[(1)]	$ 140,001	$ 230,001
Cale Thomas, CFO	60,000	-	60,000
Greg Johnston, President	80,000	-	80,000
Total	$ 230,000	$ 140,001	$ 370,001

(1) comprised of fees paid to 9299-5257 Quebec Inc., a company wholly owned by Jean Charles Phaneuf.

Included in accounts payable and accrued liabilities as at December 31, 2022 is $23,260 (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 $53,100 (2021 - $51,500) recorded in profit or loss is from RA for the period ended December 31, 2022. As at December 31, 2022, $27,878 (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 December 31, 2022, the Company earned data services revenue from KWL of $71,250 (2021 – $98,725) and incurred expenses from KWL of $4,216 (2021 – $4,512), which are recorded in office and miscellaneous, and consulting expenses. Included in accounts receivable as at December 31, 2022 is a balance owing from KWL of $53,288 (June 30, 2022 - $43,477). Included in accounts payable and accrued liabilities as at December 31, 2022 is a balance owing to KWL of $nil (June 30, 2022 - $3,598).

Proposed Transactions

There are no proposed transactions for the period ended December 31, 2022 outside of those identified in this document.

Critical Accounting Estimates

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

Valuation of acquired assets

The Company has made estimates with respect to the acquisition date fair values of the identifiable assets and liabilities of acquired businesses. The valuation of intangible assets requires management to use valuation techniques to assess the fair values of assets and liabilities acquired at acquisition date, and each subsequent reporting period end date. The Company used its judgment to select methods and makes assumptions that reflected market conditions as at these dates.

Equity-settled transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity-settled transactions with non-employees are recorded at the fair value of the service provided, where this is readily determinable. In other instances, they are recorded at the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share-based award, volatility and dividend yield and making assumptions about them.

New standards and interpretations adopted

There were no new standards or interpretations adopted during the period ended December 31, 2022, which had a material impact on the Company's condensed consolidated interim financial statements.

Future Changes in Accounting Policies

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

Risk Factors

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

Capitalization and Commercial Viability

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

History of Operating Losses

The Company has an accumulated deficit since its incorporation through December 31, 2022 of $28,284,035. The deficit may increase in the near term as the Company continues its product development and establishes sales channels for its new products.

General Economic Conditions

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

COVID-19 Pandemic

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.

Key Employees

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

New Market Risk

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

Customer Risks

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

Intellectual Property Risks

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

Reliance on Information Systems and Technology

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

Reliance on Third Party Licenses

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

Risk Associated with International Operations

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

Expansion

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

Available Workforce

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