



infinitii ai inc.

(FORMERLY CARL DATA SOLUTIONS INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022

**(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	December 31, 2022	June 30, 2022
ASSETS		
Current Assets		
Cash	\$ 234,725	\$ 1,192,906
Accounts and other receivables (note 4)	565,499	401,332
Prepaid expenses	6,425	11,781
	806,649	1,606,019
Non-Current Assets		
Property, equipment, and right-of-use assets (note 6)	2,843	3,345
Goodwill	118,775	118,775
Total Assets	\$ 928,267	\$ 1,728,139
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 455,748	\$ 338,778
Current portion of loans payable (note 10)	44,824	43,836
Convertible notes (note 11)	294,840	258,313
Deferred revenue	54,176	283,492
	849,588	924,419
Non-Current Liabilities		
Loans payable (note 10)	199,028	219,516
Total Liabilities	1,048,616	1,143,935
Shareholders' (Deficiency) 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	95,254	51,717
Deficit	(28,284,035)	(27,499,980)
	(120,349)	584,204
Total Liabilities and Shareholders' (Deficiency) Equity	\$ 928,267	\$ 1,728,139

Description of Business and Going Concern (note 1)

Subsequent Event (note 11)

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD ON MARCH 1, 2023

"Kevin Ma"

Director

"Chris Johnston"

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

	Three months ended December 31, 2022	Three months ended December 31, 2021	Six months ended December 31, 2022	Six months ended December 31, 2021
Revenue				
Data services (note 17)	\$ 266,926	\$ 283,083	\$ 514,242	\$ 632,982
Social referral software (note 17)	26,550	26,551	53,100	51,500
Custom programming service contracts	229,970	53,246	382,130	59,368
	523,446	362,880	949,472	743,850
Expenses				
Accretion of convertible note (note 11)	18,867	14,513	36,527	28,098
Amortization of intangible assets (note 7)	-	20,126	-	40,252
Bad debts expense (recovery) (notes 4 and 18)	2,447	(4,531)	2,884	(5,682)
Computer hosting costs	73,896	69,094	139,137	133,014
Consulting (note 17)	166,974	302,412	343,131	627,267
Depreciation of property, equipment, and right-of-use assets (note 6)	251	35,894	502	71,785
Filing and transfer agent	15,841	13,143	20,725	18,857
Foreign exchange (gain) loss	(5,416)	6,368	23,023	8,124
Interest and penalties (notes 10 and 11)	3,948	3,596	7,508	7,190
Investor relations	4,923	46,696	29,633	48,940
Marketing	33,707	18,745	47,167	52,422
Office and miscellaneous (note 17)	45,087	57,652	92,699	112,030
Professional fees	125,746	107,179	169,921	156,345
Share-based payments (notes 14 and 17)	-	38,966	35,965	214,563
Salaries and wages	314,195	201,198	668,316	465,712
Travel	49,731	46,443	116,389	68,880
	850,197	977,494	1,733,527	2,047,797
Operating loss	(326,751)	(614,614)	(784,055)	(1,303,947)
Other items				
Accretion on lease liabilities (note 9)	-	(1,307)	-	(3,244)
Loss for the period	(326,751)	(615,921)	(784,055)	(1,307,191)
Other comprehensive income				
Foreign exchange (loss) gain on translation of subsidiary	(3,541)	715	43,537	4,833
Comprehensive loss for the period	\$ (330,292)	\$ (615,206)	\$ (740,518)	\$ (1,302,358)
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	126,424,783	126,424,783	126,424,783	126,424,783
Loss Per Share				
Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (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 six months ended	December 31, 2022	December 31, 2021
Cash Flows used in Operating Activities		
Loss for the period	\$ (784,055)	\$ (1,307,191)
Non-cash items		
Amortization of intangible assets	-	40,252
Accretion on convertible notes	36,527	28,098
Accretion on lease liabilities	-	3,244
Depreciation of property, equipment, and right-of-use assets	502	71,785
Interest expense	5,970	4,815
Share-based payments	35,965	214,563
Changes in non-cash working capital items:		
Accounts and other receivables	(146,869)	40,933
Prepaid expenses	5,419	24,435
Deferred revenue	(239,670)	-
Accounts payable and accrued liabilities	111,175	(392,091)
	(975,036)	(1,271,157)
Cash Flows provided by Financing Activities		
Payment towards lease liabilities	-	(53,848)
Repayment of loans payable	(25,470)	(25,470)
	(25,470)	(79,318)
Effect of foreign exchange on cash	42,325	876
Change in cash during the period	(958,181)	(1,349,599)
Cash – beginning of period	1,192,906	2,903,056
Cash – end of period	\$ 234,725	\$ 1,553,457

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' (DEFICIENCY) EQUITY

Presented in Canadian Dollars – unaudited

	<u>Share Capital</u>		Reserves	Equity feature on convertible note	Foreign currency translation reserve	Deficit	Total
	Shares	Amount					
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	-	-	-	-	4,833	(1,307,191)	(1,302,358)
Share based payments	-	-	214,563	-	-	-	214,563
Balance – December 31, 2021	126,424,783	24,837,032	3,102,623	70,191	32,156	(26,349,036)	1,692,966
Net loss and comprehensive loss for the period	-	-	-	-	19,561	(1,150,944)	(1,131,383)
Share based payments	-	-	22,621	-	-	-	22,621
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	-	-	-	-	43,537	(784,055)	(740,518)
Share based payments	-	-	35,965	-	-	-	35,965
Balance – December 31, 2022	126,424,783	\$ 24,837,032	\$ 3,161,209	\$ 70,191	\$ 95,254	\$ (28,284,035)	\$ (120,349)

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

infinittii ai inc. (Formerly Carl Data Solutions Inc.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022 AND 2021
Presented in Canadian Dollars - unaudited

1. Description of Business and Going Concern

infinittii ai inc. (formerly Carl Data Solutions Inc.) (“**infinittii 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 infinittii ai inc. effective October 7, 2022.

Infinittii 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.

Infinittii 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%
infinittii 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 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 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 infinittii ai and its controlled and wholly-owned subsidiaries ETS, infinittii ai corporation, Astra, i4C and Carl PL. ETS, infinittii 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 three and six month periods ended December 31, 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.

infiniti ai inc. (Formerly Carl Data Solutions Inc.)NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022 AND 2021

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

	December 31, 2022	June 30, 2022
Gross trade accounts receivable	\$ 433,621	\$ 302,927
Related party accounts receivable	53,288	43,477
Less: allowance for doubtful accounts	<u>(18,642)</u>	<u>(14,115)</u>
Net trade accounts receivable	468,267	332,289
GST receivable	97,232	69,043
	<u>\$ 565,499</u>	<u>\$ 401,332</u>

Reconciliation of allowance for doubtful accounts is as follows:

	December 31, 2022	June 30, 2022
Balance – beginning of period	\$ 14,115	\$ 15,079
Allowance provided for doubtful accounts (recovery)	4,527	(964)
Bad debts written off	-	-
Balance – end of period	<u>\$ 18,642</u>	<u>\$ 14,115</u>

5. Digital Currencies

As at December 31, 2022, the Company's digital currencies had a fair value of \$nil.

The continuity of digital currencies was as follows:

	December 31, 2022	June 30, 2022
Balance – beginning of period	\$ -	\$ 1,568
Disposals	-	(7,715)
Revaluation adjustment	-	6,147
Balance – end of period	<u>\$ -</u>	<u>\$ -</u>

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

infiniti ai inc. (Formerly Carl Data Solutions Inc.)NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022 AND 2021

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	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 December 31, 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	-	502	-	-	502
Balance – December 31, 2022	\$ -	\$ 11,220	\$ -	\$ -	\$ 11,220
Balance – June 30, 2022	\$ -	\$ 3,345	\$ -	\$ -	\$ 3,345
Balance – December 31, 2022	\$ -	\$ 2,843	\$ -	\$ -	\$ 2,843

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 December 31, 2022	\$ 181,133
Accumulated Amortization	
Balance – June 30, 2021	\$ 100,630
Amortization	80,503
Balance – June 30, 2022 and December 31, 2022	\$ 181,133
Balance – June 30, 2022 and December 31, 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

	December 31, 2022	June 30, 2022
Trade accounts payable	\$ 432,488	\$ 310,598
Due to related parties (note 17)	23,260	28,180
	\$ 455,748	\$ 338,778

infinitii ai inc. (Formerly Carl Data Solutions Inc.)NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022 AND 2021

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	December 31, 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

	December 31, 2022	June 30, 2022
Balance – beginning of period	\$ 263,352	\$ 304,875
Interest and fees accrued	5,970	9,417
Repayments – cash	(25,470)	(50,940)
Balance – end of period	243,852	263,352
Current portion	(44,824)	(43,836)
Non - current portion	\$ 199,028	\$ 219,516

As at December 31, 2022 and for the year ending June 30 2022, the following loans were outstanding:

	Note reference	Interest rate – per annum	Loan balances, with interest	
			December 31, 2022	June 30, 2022
CEBA loan	10(a)	-	\$ 100,000	\$ 100,000
Arm's length loan	10(b)	2.5% + prime	143,852	163,352
			\$ 243,852	\$ 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.

infiniti ai inc. (Formerly Carl Data Solutions Inc.)NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022 AND 2021

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 December 31, 2022.

During the year ended June 30, 2021, the Company issued three convertible debentures with an expiration date of February 11, 2023, an interest rate of 10% compounded semi-annually, convertible at \$0.15 per share, 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. These notes remain outstanding as of the publication date of these financial statements.

	December 31, 2022	June 30, 2022
Balance – beginning of period	\$ 258,313	\$ 198,702
Accretion of convertible notes	36,527	59,611
Balance – end of period	\$ 294,840	\$ 258,313
Convertible notes, equity component – end of period	\$ 70,191	\$ 70,191
Value of notes at maturity	\$ 303,875	\$ 303,875

Subsequent to the date of these condensed interim financial statements, 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 and 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.

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

As at December 31, 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 six month period ended December 31, 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 December 31, 2022	\$0.25	37,341,920

infinitii ai inc. (Formerly Carl Data Solutions Inc.)NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2022 AND 2021

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 ¹

1. Subsequent to the period ended December 31, 2022, these warrants expired unexercised.

14. Share-Based Payments

During the period ended December 31, 2022, the shareholders of the Company adopted an Omnibus Equity Incentive Plan to replace the stock option plan originally adopted on January 22, 2015 and updated in December 2021. Under the terms of this plan, the Company has the flexibility to grant equity based incentive awards in the form of Options and Restricted, Performance or Deferred Share units. The total number of incentive awards 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. Stock 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. Other incentive awards may be awarded as determined by the Board of Directors of the Company.

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 December 31, 2022	\$0.23	8,437,247
Expired / Cancelled	\$0.14	(4,187,247)
	\$0.31	4,250,000

Incentive share options outstanding and exercisable December 31, 2022 are summarized as follows:

	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
\$0.14	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
	4,250,000		\$0.23	8,437,247	\$0.23

The Company did not grant any stock options for the period ended December 31, 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 December 31, 2022, was \$35,965 (2021 - \$214,563) 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:

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14. Share-Based Payments (continued)

	December 31, 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 equity incentive 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 December 31, 2022.

15. Management of Capital

The capital managed by the Company includes the components of shareholders' (deficiency) equity as described in the condensed consolidated interim statements of changes in shareholders' equity, which totals (\$120,349) at December 31, 2022. 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 December 31, 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 December 31, 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 total 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.

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

	Consulting Fees	Share-based payments	Total
Chief Executive Officer	\$ 90,000	\$ -	\$ 90,000
Chief Financial Officer	60,000	-	60,000
President	80,000	-	80,000
Total	\$ 230,000	\$ -	\$ 230,000

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
Chief Executive Officer	\$ 90,000	\$ 140,001	\$ 230,001
Chief Financial Officer	60,000	-	60,000
President	80,000	-	80,000
Total	\$ 230,000	\$ 140,001	\$ 370,001

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).

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.

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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 December 31, 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 December 31, 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):

December 31,	US Dollars		Polish Zloty	
	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, infinittii 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, infinittii 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.

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 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. 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 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 maturities of convertible notes and loans payable are disclosed in notes 11 and 10, respectively. The Company has limited working capital as at December 31, 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 December 31, 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 December 31, 2022 and 2021:

	2022		2021	
Revenue				
Canada	\$	444,839	\$	276,822
United States		504,633		104,148
	\$	949,472	\$	380,970