

Carbeeza



Condensed Interim Consolidated Financial Statements

Carbeeza Inc.

*As at June 30, 2022 and
for the six months ended June 30, 2022 and June 30, 2021
Stated in Canadian Dollars*

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

Carbeeza Inc.

Condensed Interim Consolidated Statements of Financial Position

Stated in Canadian dollars

(Unaudited)

As at June 30, 2022 and December 31, 2021

	June 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 554,902	\$ 716,054
Marketable securities	30,000	30,000
Goods and services tax receivable	55,692	78,711
Prepaid expenses	79,329	84,220
Total current assets	719,923	908,985
Property and equipment (Note 3)	8,900	3,259
Right of use asset (Note 4)	16,219	18,593
Intangible assets (Note 5)	5,302,550	5,360,972
Total assets	\$ 6,047,592	\$ 6,291,809
LIABILITIES and EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 719,025	\$ 1,122,020
Current portion of lease liability (Note 6)	2,199	4,291
	721,224	1,126,311
Convertible debentures (Note 7)	2,000,000	-
Lease Liability (Note 6)	15,253	15,253
Total liabilities	2,736,477	1,141,564
Shareholders' equity		
Share capital (Note 9)	6,334,350	6,334,350
Contributed surplus (Note 10)	6,358,255	6,358,255
Deficit	(9,381,489)	(7,542,360)
Total shareholders' equity	3,311,116	5,150,245
Total liabilities and shareholders' equity	\$ 6,047,592	\$ 6,291,809

Nature of operations and going concern (Note 1)

Approved by the Board of Directors:

"signed"
Director

"signed"
Director

Carbeeza Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and June 30, 2021

	Six months ended June 30, 2022	Six months ended June 30, 2021
Expenses		
Amortization and accretion <i>(Note 3, 4 and 5)</i>	\$ 586,873	\$ 4,534
Advertising and marketing	317,334	13,647
Consulting services	385,750	202,065
General and administrative	4,994	30,000
Insurance	18,932	-
Online hosting services	107,781	62,270
Platform maintenance	11,440	-
Professional fees	92,656	401,671
Public company fees	20,374	18,706
Subscriptions	292,997	136,735
Listing expense	-	3,997,636
Total expenses	1,839,129	4,867,264
Net loss and comprehensive loss	\$ (1,839,129)	\$ (4,867,264)
Loss per share <i>(Note 8)</i>		
Basic and diluted	\$ (0.03)	\$ (0.11)
Weighted average number of shares outstanding	63,814,824	44,470,607

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

Carbeeza Inc.

Condensed Interim Consolidated Statements of Shareholders' Equity

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and June 30, 2021

	Common Shares	Contributed Surplus	Deficit	Total Equity
	\$	\$	\$	\$
Balance at December 31, 2020	1,009,636	4,602,342	(494,824)	5,117,154
Shares issued (Note 9)	6,202,951	-	-	6,202,951
Net loss and comprehensive loss	-	-	(4,867,264)	(4,867,264)
Balance at June 30, 2021	7,212,587	4,602,342	(5,362,088)	6,452,841
<hr/>				
Balance at December 31, 2021	6,334,350	6,358,255	(7,542,360)	5,150,245
Shares issued (Note 9)	-	-	-	-
Net loss and comprehensive loss	-	-	(1,839,129)	(1,839,129)
Balance at June 30, 2022	6,334,350	6,358,255	(9,381,489)	3,311,116

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

Carbeeza Inc.

Condensed Interim Consolidated Statements of Cash Flows

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and June 30, 2021

	Six months ended June 30 2022	Six months ended June 30, 2021
Cash provided by (used for) the following activities:		
Operating activities		
Net loss for the period	\$ (1,839,129)	\$ (4,867,264)
Amortization and accretion <i>(Note 3 and 4)</i>	586,873	4,534
Listing expense		3,997,636
Changes in non-cash working capital:		
Goods and services tax receivable	23,019	(2,590)
Prepaid expenses	4,891	38,121
Accounts payable and accrued liabilities	(402,995)	98,230
Cash flows used in operating activities	(1,627,341)	(731,333)
Financing activities		
Issue of convertible debentures <i>(Note 7)</i>	2,000,000	-
Issue of share capital <i>(Note 9)</i>	-	2,075,315
Cash flows provided by financing activities	2,000,000	2,075,315
Investing activities		
Purchases of property and equipment <i>(Note 3)</i>	(6,350)	-
Payments on lease liability	(3,000)	(3,500)
Expenditures on intangible asset <i>(Note 5)</i>	(524,461)	(585,811)
Cash flows used in investing activities	(533,811)	(589,311)
Increase (decrease) in cash	(161,152)	754,671
Cash, beginning of the period	716,054	684,681
Cash, end of the period	\$ 554,902	\$ 1,439,352

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

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

1. Nature of Operations and Going Concern

Carbeeza Inc. (the “Carbeeza” or the “Company”) was incorporated on July 30, 2018 in the province of Alberta. Carbeeza provides a one-stop marketplace for consumers and dealers to meet and transact the purchase of any type of vehicle (the Platform”). The Platform allows consumers to research vehicles, find financing options and negotiate the lowest prices for their preferred vehicle from anywhere in the world.

Carbeeza completed a reverse takeover of HIT Technologies Inc. (the “HIT”) on June 29, 2021 and became the ongoing operations of the Company.

The address of the Company’s corporate and registered office is 620, 10180 101 Street Edmonton, Alberta, T5J 3S4.

These condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the six month period ended June 30, 2022, the Company has incurred a loss of \$1,839,129, negative cash flows from operating activities of \$1,627,341, and has accumulated deficit of \$9,381,489 at June 30, 2022. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company’s ability to continue as a going concern.

There is a risk that these measures will not be sufficient, and that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim consolidated financial statements. These adjustments could be material.

During the six month period ended June 30, 2022, the Company announced a non-brokered private placement of 10% unsecured convertible debentures (“debenture”). Each debenture matures two years after the issue date and is convertible into common shares of the Company at a conversion price of \$0.40. The Company closed this private placement on May 9, 2022, issuing \$2,000,000 in debentures. The proceeds will be used to retire current liabilities incurred during the six month period ended June 30, 2022 and to cover the approximate operating expenses of the Company for the second half of 2022, and for general corporate purposes.

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures have caused material disruption supply chains and businesses globally including creating shortages of many resources and supplies that continue to affect the automotive industry.

2. Basis of Preparation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) that are effective for the period and year presented.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 25, 2022.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. These condensed interim consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiary.

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany transactions have been eliminated.

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

2. Basis of Preparation (continued)

Comparative balances

Carbeeza's reverse takeover of the Company accordingly includes in the condensed interim consolidated financial statements a continuation of Carbeeza. All prior period comparative amounts are those of Carbeeza and include the results of the Company from the date of acquisition of June 29, 2021.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

3. Property and Equipment

Cost	Computer Equipment
Balance at December 31, 2021	\$ 5,475
Additions	6,350
Balance at June 30, 2022	\$ 11,825
Accumulated amortization	
Balance at December 31, 2021	\$ 2,216
Amortization	709
Balance at June 30, 2022	\$ 2,925
Carrying amounts	
At December 31, 2021	\$ 3,259
At June 30, 2022	\$ 8,900

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

4. Right-of-use Assets

During 2021, the Company entered into a five-year lease agreement with IDX with respect to office space. The lease expires in November 2025. The Company recognized the right of use asset and lease liability in accordance with IFRS 16, *Leases*. The lease is calculated using an incremental borrowing rate of 10% per annum.

Cost	
Balance at December 31, 2021	\$ 23,736
Additions	-
Balance at June 30, 2022	\$ 23,736
Accumulated amortization	
Balance at December 31, 2021	\$ 5,143
Amortization	2,374
Balance at June 30, 2022	\$ 7,517
Carrying amounts	
At December 31, 2021	\$ 18,593
At June 30, 2022	\$ 16,219

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

5. Intangible Assets

The Intangible assets will be amortized on a straight-line basis over the estimated useful lives. The Company commenced amortizing the intangible assets on October 1 2021.

Cost	
Balance at December 31, 2021	\$ 5,638,715
Additions	524,461
Balance at June 30, 2022	\$ 6,163,176
Accumulated Amortization	
Balance at December 31, 2021	\$ 277,743
Amortization	582,883
Balance at June 30, 2022	\$ 860,626
Net Book Value	
At December 31, 2021	\$ 5,360,972
At June 30, 2022	\$ 5,302,550

6. Lease Liability

During the six months ended June 30, 2021, the Company entered into a five year lease agreement with IDX with respect to office space. The lease expires in November 2025. The Company recognized the right of use asset and lease liability in accordance with IFRS 16, *Leases*. The lease is calculated using an incremental borrowing rate of 10% per annum.

Balance at December 31, 2021	\$ 19,544
Additions	0
Lease payments during the period	(3,000)
Accretion	908
Balance at June 30, 2022	\$ 17,452
Current portion	\$ 2,199
Long term portion	\$ 15,253

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

6. Lease Liability (continued)

Maturity of the lease liability:		
2022	\$	2,199
2023		4,740
2024		5,235
2025		5,278
Current portion	\$	17,452

7. Convertible Debentures

On January 24, 2022, the Company announced a non-brokered private placement of 10% unsecured convertible debentures ("Debenture"). Each Debenture matures two years after the issue date and is convertible into common shares of the Company at a conversion price of \$0.40. The Company closed this private placement on May 9, 2022, issuing \$2,000,000 in Debentures.

Balance at December 31, 2021	\$	-
Convertible debenture issuance		2,000,000
Balance at June 30, 2022	\$	2,000,000

8. Loss per share

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the outstanding warrants and options as the effect is anti-dilutive.

9. Share Capital

Authorized:

Unlimited number of common shares and preferred shares without par value

Issued:

Common shares

	Number	\$
Balance, December 31, 2021	63,893,124	6,334,350
Share issuance	-	-
Less issuance costs	-	-
Balance, June 30, 2022	63,893,124	6,334,350

There were no share issuances during the six months ended June 30, 2022.

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

10. Contributed Surplus

Warrants Issue Date	Warrant Expiry Date	Strike Price	# of Warrants issued	Weighted average remaining life (years)	Valuation
September 23, 2020	September 23, 2022	\$ 1	3,491,550	0.48	\$ 422,364
April 9, 2021	April 9, 2023	\$ 1	1,860,800	1.02	232,212
June 15, 2021	June 15, 2023	\$ 1	1,000,000	1.21	125,547
June 28, 2021	June 28, 2023	\$ 1	4,117,000	1.24	479,845
October 1, 2021	October 1, 2023	\$ 1	78,300	1.50	9,125
					\$ 1,269,093

	June 30, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	10,547,650	\$1.00	10,469,350	\$1.00
Issued	-	-	78,300	\$1.00
Surrendered	-	-	-	-
Outstanding, end of period	10,547,650	\$1.00	10,547,650	\$1.00

The estimated value of the Warrants is based on a Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	136.6%
Risk-free interest rate	0.45%
Forfeiture rate	0%
Share price – estimated fair value	\$ 0.275
Term	2 years
Fair value per option	\$ 0.125

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

10. Contributed Surplus (continued)

On June 29, 2021, shareholders of the Company voted to approve the stock option plan. Under the stock option plan, up to 10% of the issued and outstanding common shares may be allotted and reserved for issuance. The terms of the option, including the vesting terms and the option price are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's stock on the date of grant and a maximum term of 5 years. On November 24, 2021, the TSX Venture Exchange ("TSX-V") announced certain amendments to the TSX-V Corporate Finance Policies regarding security-based compensation and replaced the former policy with "Policy 4.4 – Security Based Compensation" ("TSX-V Policy 4.4"), pursuant to which, amendments to the stock option plan would be required. As such, on August 12, 2022, the board of directors of the Company approved a new stock option plan (the "2022 Option Plan") which complies with the amendments to TSX-V Policy 4.4. The shareholders of the Company will be asked to approve the 2022 Option Plan at the annual general meeting of the Company to be held on September 27, 2022. The 2022 Option Plan shall become effective upon the receipt of approval of the shareholders of the Company and final acceptance by the TSX-V (the "Effective Date"). All of the stock options currently outstanding under the current stock option plan will remain outstanding and in full force and effect in accordance with their terms until after the Effective Date. However, following the Effective Date, no additional grants shall be made pursuant to the current stock option plan, and the current stock option plan will terminate on the date upon which no outstanding options remain outstanding under that plan.

The following table summarizes activity under the Company's stock option plan as of June 30, 2022:

	Number of options	Weighted average exercise price
Balance, December 31, 2021 and June 30, 2022	5,495,000	\$ 0.58

As of June 30, 2022, the following stock options were outstanding and exercisable:

Exercise Price \$	Number of Options Outstanding	Expiry Date	# of Options exercisable	Remaining Contractual Life (years)
0.58	5,495,000	November 29, 2026	5,495,000	4.42

The weighted-average remaining contractual life of options outstanding on June 30, 2022 was 4.42 years (December 31, 2021 – 4.92 years).

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

The estimated value of the Stock options is based on a Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	147.19%
Risk-free interest rate	1.56%
Forfeiture rate	0%
Share price – estimated fair value	\$ 0.51
Term	3 years
Fair value per option	\$ 0.4621

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

11. Taxes

The net income tax provision differs from that expected by applying the Canadian federal and provincial corporate rate due to the following:

	June 30, 2022	December 31, 2021
Loss before taxes	\$ (1,839,129)	\$ (2,180,272)
Statutory tax rate	23%	23%
Expected income tax recovery	(423,000)	(501,463)
Rate differential	-	-
Impact of share issue costs	-	(19,076)
Impacting of listing expense	-	194,663
Tax benefit not recognized	423,000	325,876
Income tax expense	\$ -	\$ -

The Company's unrecognized deductible temporary differences for which no deferred tax assets is recognized consists of the following:

	June 30, 2022	December 31, 2021
Non-capital losses	\$ 4,074,999	\$ 2,818,753
API Platform	582,883	277,743
Share issue costs	430,432	430,432
	\$ 5,088,314	\$ 3,526,928

The Company's non-capital loss carry forwards balance is available to reduce future years' taxable income and, if not fully utilized, will commence to expire in fiscal year 2040.

12. Capital Management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and,
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to responded to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing credit facilities, raise new debt and issue share capital. The Company expects that funds generated from operations and working capital amounts will provide sufficient capital resources and liquidity to fund existing operations in 2022.

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the six months ended June 30, 2022 and 2021

13. Related Party Transactions

The following transactions, in addition to related party transactions disclosed elsewhere, and period end balances with related parties were in the normal course of operations and are initially measured at fair value. Related parties include members of the board of directors and key management. The Company considers key management to be the Chief Executive Officer, Chief Financial Officer and President of the Company.

	June 30,, 2022		December 31, 2021	
	Included in Accounts Payable	Paid during the period	Included in Accounts Payable	Paid during the period
Platform Maintenance / Marketing / Rent	311,541	842,853	540,727	674,601
Stock based compensation		-		338,851
Key management salaries and benefits	-	56,700	-	67,988
Legal and accounting	7,659	54,513	6,141	170,752
Consulting / Marketing	17,494	114,328	21,420	123,367