

# Carbeeza



**Consolidated Financial Statements**

**Carbeeza Inc.**

*As at December 31, 2021 and June 30, 2021  
and for the six month periods ended December 31, 2021 and June 30, 2021  
Stated in Canadian Dollars*

To the Shareholders of Carbeeza Inc.:

## Opinion

We have audited the consolidated financial statements of Carbeeza Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and June 30, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the six month periods ended December 31, 2021 and June 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and June 30, 2021, and its consolidated financial performance and its consolidated cash flows for the six month periods ended December 31, 2021 and June 30, 2021 in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company generated a net loss during the six month period ended December 31, 2021 and, as of that date, the Company had an accumulated deficit, negative working capital and no recurring sources of income. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta

April 26, 2022

*MNP LLP*

Chartered Professional Accountants

# Carbeeza Inc.

## Consolidated Statements of Financial Position

Stated in Canadian dollars

As at December 31, 2021 and June 30, 2021

	December 31, 2021	June 30, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 716,054	\$ 1,439,352
Funds held in trust	-	400,000
Marketable securities	30,000	30,000
Goods and services tax receivable	78,711	40,456
Prepaid expenses	84,220	40,546
<b>Total current assets</b>	<b>908,985</b>	<b>1,950,354</b>
Equipment (Note 6)	3,259	4,190
Right of use asset (Note 7)	18,593	20,967
Intangible assets (Note 8)	5,360,972	5,202,653
<b>Total assets</b>	<b>\$ 6,291,809</b>	<b>\$ 7,178,164</b>
<b>LIABILITIES and EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,122,020	\$ 703,788
Current portion of lease liability (Note 9)	4,291	1,991
<b>Total current liabilities</b>	<b>1,126,311</b>	<b>705,779</b>
Lease Liability (Note 9)	15,253	19,544
<b>Total liabilities</b>	<b>1,141,564</b>	<b>725,323</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	6,334,350	6,374,983
Contributed surplus (Note 12)	6,358,255	5,439,946
Deficit	(7,542,360)	(5,362,088)
<b>Total shareholders' equity</b>	<b>5,150,245</b>	<b>6,452,841</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,291,809</b>	<b>\$ 7,178,164</b>

Nature of operations and going concern (Note 1)

Commitment (Note 17)

Subsequent event (Note 18)

Approved by the Board of Directors:

"signed" Sandro Torrieri

Director

"signed" Ron Hozjan

Director

# Carbeeza Inc.

## Consolidated Statements of Loss and Comprehensive Loss

Stated in Canadian dollars

For the six month periods ended:

	Six months ended December 31, 2021	Six months ended June 30, 2021
<b>Expenses</b>		
Advertising and marketing	\$ 87,166	\$ 13,647
Consulting services	329,387	202,065
General and administrative	32,399	48,706
Online hosting services	93,594	62,270
Platform maintenance	100,521	-
Professional fees	227,769	401,671
Stock based compensation (Note 12)	846,356	-
Subscriptions	181,022	136,735
Amortization and accretion (Note 6, 7, 8 and 9)	282,058	4,534
Listing expense (Note 5)	-	3,997,636
<b>Total expenses</b>	<b>2,180,272</b>	<b>4,867,264</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (2,180,272)</b>	<b>\$ (4,867,264)</b>
<b>Loss per share (Note 10)</b>		
Basic and diluted	\$ (0.03)	\$ (0.11)
Weighted average number of shares outstanding	63,834,560	44,470,607

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

# Carbeeza Inc.

## Consolidated Statements of Changes in Shareholders' Equity

Stated in Canadian dollars

For the six month periods ended December 31, 2021 and June 30, 2021

	Common Shares	Contributed Surplus	Deficit	Total Equity
	\$	\$	\$	\$
<b>Balance at December 31, 2020</b>	<b>1,009,636</b>	<b>4,602,342</b>	<b>(494,824)</b>	<b>5,117,154</b>
Shares issued (Note 11)	5,365,347	837,604	-	6,202,951
Net loss and comprehensive loss	-	-	(4,867,264)	(4,867,264)
<b>Balance at June 30, 2021</b>	<b>6,374,983</b>	<b>5,439,946</b>	<b>(5,362,088)</b>	<b>6,452,841</b>
<b>Balance at June 30, 2021</b>	<b>6,374,983</b>	<b>5,439,946</b>	<b>(5,362,088)</b>	<b>6,452,841</b>
Broker unit option exercise (Note 12)	42,305	(10,985)	-	31,320
Options issued (Note 12)	-	846,356	-	846,356
Issuance cost (Note 12)	(82,938)	82,938	-	-
Net loss and comprehensive loss	-	-	(2,180,272)	(2,180,272)
<b>Balance at December 31, 2021</b>	<b>6,334,350</b>	<b>6,358,255</b>	<b>(7,542,360)</b>	<b>5,150,245</b>

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

# Carbeeza Inc.

## Consolidated Statements of Cash Flows

Stated in Canadian dollars

For the six month periods ended:

	December 31, 2021	June 30, 2021
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (2,180,272)	\$ (4,867,264)
Amortization and accretion (Note 6, 7, 8, 9)	282,058	4,534
Listing expense (Note 5)	-	3,997,636
Share based compensation	846,356	-
Changes in non-cash working capital:		
Goods and services tax receivable	(38,255)	(2,590)
Prepaid expenses	(43,674)	38,121
Accounts payable and accrued liabilities	418,230	98,230
<b>Cash flows used in operating activities</b>	<b>(715,556)</b>	<b>(731,333)</b>
<b>Financing activities</b>		
Release of funds held in trust	400,000	-
Issue of share capital (Note 11)	-	2,075,315
Exercise of broker unit options (Note 12)	31,320	-
<b>Cash flows provided by financing activities</b>	<b>431,320</b>	<b>2,075,315</b>
<b>Investing activities</b>		
Payments on lease liability (Note 9)	(3,000)	(3,500)
Expenditures on intangible asset (Note 8)	(436,062)	(585,811)
<b>Cash flows used in investing activities</b>	<b>(439,062)</b>	<b>(589,311)</b>
<b>Increase (decrease) in cash</b>	<b>(723,298)</b>	<b>754,671</b>
<b>Cash, beginning of the period</b>	<b>1,439,352</b>	<b>684,681</b>
<b>Cash, end of the period</b>	<b>\$ 716,054</b>	<b>\$ 1,439,352</b>

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



# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 1. Description of Business

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.

#### Going concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the six month period ended December 31, 2021, the Company generated a net loss of \$2,180,272 (for the six month period ended June 30, 2021, a net loss of \$4,867,264) and negative cash flows from operations of \$715,556 (for the six month period ended June 30, 2021, - \$731,333). As at December 31, 2021, the Company had a working capital deficit of \$217,326 (June 30, 2021 - positive working capital of \$1,244,575, an accumulated deficit of \$7,542,360 (June 30, 2021 - \$5,362,088) and no recurring sources of income. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to continue its research and development of its Platform.

The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the effectiveness of interventions by governments and central banks as well as the impact to the Company including its ability to secure sources of financings and further fund its development of the Platform. There has been minimal impact on the Company to date.

### 2. Basis of Preparation

#### Statement of compliance

These 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 presented.

On December 15, 2021, the Company announced a change in year end from June 30 to December 31 to continue the use of the year end of the Company prior to closing of the RTO. As a result, the Company's transition year was December 31, 2021. For the year ended December 31, 2021, the comparative interim periods are as follows: (i) Three months ended March 31, 2021; (ii) Six months ended June 30, 2021; (iii) Nine months ended September 30, 2021; and the twelve months ended December 31, 2021.

These consolidated financial statements were authorized for issue by the Board of Directors on April 26, 2022.

#### Basis of measurement

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

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

*(Stated in Canadian dollars)*

For the six month periods ended December 31, 2021 and June 30, 2021

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### 2. Basis of Preparation (continued)

#### Basis of consolidation

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

#### Comparative balances

Carbeeza's reverse takeover of the Company accordingly includes in the 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. Areas where estimates and judgements are significant to the financial statements are disclosed in Note 4.

### 3. Summary of Significant Accounting Policies

The accounting policies set out below are considered to be significant and have been applied consistently by the Company to all years presented in these financial statements.

#### Cash

Cash consists of bank balances.

#### Marketable securities

Marketable securities consist of term deposits with maturities of one year or less.

#### Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recorded to recognize the cost of assets over their useful lives, using the declining balance method at a rate of 30% per year. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When an equipment asset has significant components with different useful lives, each significant component is depreciated separately.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 3. Summary of Significant Accounting Policies (continued)

#### Leases

The Company follows the guidance of IFRS 16 and recognizes a right-of-use asset and a lease liability for its lease. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss. The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets.

#### Intangible assets

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### *Internally generated intangible assets - Research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### *Derecognition of intangible assets*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 3. Summary of Significant Accounting Policies (continued)

#### Intangible assets (continued)

##### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Share-based payments

The Company recognizes share-based compensation expense for all stock options awarded to employees, officers and directors based on the fair values of the stock options at the date of the grant. The fair values of the stock options at the date of grant are expensed over the vesting periods of the stock options with a corresponding increase to equity. The fair value of stock options granted to employees, officers, and directors is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of stock options granted to consultants is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case, fair value is determined using the Black-Scholes option pricing model. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Forfeitures are accounted for using estimates based on historical actual forfeiture data.

Upon the exercise of the stock option, consideration received, and the related amount transferred from reserves are recorded as share capital

#### Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) profit or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income (loss) profit or directly in equity respectively.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 3. Summary of Significant Accounting Policies (continued)

#### Loss per share

Basic loss per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

#### Financial instruments

Financial assets within the scope of IFRS 9 are classified upon initial recognition based on the Company's business model for managing the financial assets into one of the following categories: amortized cost, fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, the Company includes transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in the statement of loss and comprehensive loss. The Company classifies its cash, funds held in trust and marketable securities as FVTPL and goods and services tax receivable as amortized cost.

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. The Company classifies its accounts payable and accrued liabilities and lease liability as amortized cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of loss and comprehensive loss.

An embedded derivative is a component of a contract that modifies the cash flows of the contract. These hybrid contracts consist of a host contract and an embedded derivative. The embedded derivative is separated from the host contract and accounted for as a derivative unless the economic characteristics and risks of the embedded derivative are closely related to the host contract. The embedded derivatives are measured at FVTPL.

The recognition of financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in the statement of operations and comprehensive loss based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in the statement of operations and comprehensive loss.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 3. Summary of Significant Accounting Policies (continued)

#### Financial instruments (continued)

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

The Company has classified its financial instruments' fair values based on the required three-level hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

#### Impairment

##### *Financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of the allowance or provision for impairment account. Such a provision is established when there is reasonable expectation that the Company will not be able to collect all amounts due. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### *Non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 3. Summary of Significant Accounting Policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, limited such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### 4. Accounting Estimates and Judgements

In the application of the Company's accounting policies management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

#### *Estimates*

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant area of estimation uncertainty is:

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

#### *The Platform - Expected life of 5 years*

Intangible assets developed internally or by third parties are capitalized only if development costs can be measured reliably, the product of process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has the sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized includes cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. These intangible assets will be amortized straight-line over its useful life once the product is available for use. It has been determined by management that the useful life of these development costs as a period of 5 years.

#### *Impairment assessment*

Intangible assets acquired from third parties and internally generated development costs, are reviewed and tested for impairment when indicators of impairment are considered to exist. Where the intangible assets were under development, the intangible assets were tested for impairment annually.

Impairment assessments are conducted at the level of cash generating units ("CGU") or at the individual asset level, whichever is the lowest level for identifiable cash inflows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of the CGU over its recoverable amount, which is greater of its fair value less costs to sell and value in use.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

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### 4. Accounting Estimates and Judgements (continued)

Impairment losses are reversed if there is evidence the loss no longer exists or has decreased. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any amortization, had no impairment charge been recognized in prior years.

#### *Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimates as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

#### *Taxation*

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

#### *Judgements*

Judgement is used in situations when there is a choice and/or assessment required by management. The following are critical judgements apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements.

#### *Intangible Assets*

Additions to the cost of intangible assets include continued improvements to the platform. Management uses judgement to assess the improvements performed and whether they will generate a future economic benefit to the asset, for which these costs are capitalized.

The assessment of any indications of impairment of the intangible assets are dependent upon management's judgement whether factors such as economic and market conditions indicate deterioration of the CGU exist.

#### *Contingencies*

Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.

#### *Going Concern*

The assessment of the Company's ability to continue as a going concern will be based upon generating profitable operations and raise the necessary financing involves judgement. The Directors monitor future cash requirements and potential financings to assess its ability to continue as a going concern.



# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

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### 5. Reverse take-over

On June 29, 2021, the Company acquired all of the issued and outstanding shares of HIT pursuant to a Share Purchase Agreement dated June 29, 2021 ("the Transaction"). The shareholders of HIT exchanged 6,424,561 shares for 2,569,824 (post consolidation) common shares of the Company. All references to share amounts have been retroactively restated to reflect the share exchange.

Prior to the Transaction, the Company was a dormant company and did not meet the definition of a business. Accordingly, the Transaction has been accounted for as a purchase of the net assets of the HIT by Carbeeza. The purchase consideration was determined as an equity-settled share-based payment in accordance with IFRS 2, *Share-based payment*, at the fair value of the equity instruments retained by the shareholders of the Company. The determination of the fair value of the equity instruments is detailed below.

For financial reporting purposes, the Company is considered a continuation of Carbeeza, the legal subsidiary, except with regard to authorized and issued share capital, which is that of the Company, the legal parent. Consequently, comparative amounts in these consolidated financial statements are those of Carbeeza only.

The Transaction was recorded as follows:

#### Consideration:

Value of equity instruments	\$	3,727,636
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#### Value of net assets:

Accounts payable and accrued liabilities		(270,000)
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#### Listing expense

	\$	<u>3,997,636</u>
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The fair value of the consideration is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of HIT upon completion of the Transaction. This value represents the fair value of the number of shares that Carbeeza would have had to issue, being 13,569,284, for the ratio of ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of Carbeeza acquiring 100% of the shares of HIT. The percentage of ownership HIT shareholders have in the combined entity is approximately 21% based on combining 13,569,284 HIT common shares outstanding with the 50,245,000 newly issued shares of Carbeeza.

The common shares were valued at \$0.275 per share which was the price per common share contained in the Unit of the concurrent financing contemplated by the Share Purchase Agreement dated June 29, 2021 (Note 11).

As at June 30, 2021, the listing expense is comprised of the purchase consideration of the Transaction less the value of HIT's net liabilities acquired (\$270,000).

As part of the Transaction, it was agreed that all debt of HIT, except for \$270,000, would be extinguished prior to the closing of the Transaction through the issuance of 11,000,000 common shares of HIT. These shares were valued at \$0.275 per share based on the ongoing private placement of Units.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

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### 6. Equipment

<b>Cost</b>	<b>Computer Equipment</b>
<b>Balance at December 31, 2020</b>	\$ 5,475
Additions	-
<b>Balance at June 30, 2021</b>	\$ 5,475
Additions	-
<b>Balance at December 31, 2021</b>	\$ 5,475
<b>Accumulated amortization</b>	
<b>Balance at December 31, 2020</b>	\$ 820
Amortization	465
<b>Balance at June 30, 2021</b>	\$ 1,285
Amortization	\$ 931
<b>Balance at December 31, 2021</b>	\$ 2,216
<b>Carrying amounts</b>	
<b>At June 30, 2021</b>	\$ 4,190
<b>At December 31, 2021</b>	\$ 3,259

### 7. Right-of-use assets

During the six month period ended June 30, 2021, the Company entered into a five year lease agreement with InterDynamix Systems Partnership ("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.

<b>Cost</b>	
<b>Balance at December 31, 2020</b>	\$ -
Additions	23,736
<b>Balance at June 30, 2021</b>	\$ 23,736
Additions	-
<b>Balance at December 31, 2021</b>	\$ 23,736
<b>Accumulated amortization</b>	
<b>Balance at December 31, 2020</b>	\$ -
Amortization	2,769
<b>Balance at June 30, 2021</b>	\$ 2,769
Amortization	2,374
<b>Balance at December 31, 2021</b>	\$ 5,143
<b>Carrying amounts</b>	
<b>At June 30, 2021</b>	\$ 20,967
<b>At December 31, 2021</b>	\$ 18,593

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

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### 8. Intangible Assets

<b>Cost</b>	
<b>Balance at December 31, 2020</b>	\$ 4,616,842
Additions	585,811
<b>Balance at June 30, 2021</b>	\$ 5,202,653
Additions	436,062
<b>Balance at December 31, 2021</b>	\$ 5,638,715
<b>Accumulated Amortization</b>	
<b>Balance at December 31, 2020</b>	\$ -
Amortization	-
<b>Balance at June 30, 2021</b>	\$ -
Amortization	277,743
<b>Balance at December 31, 2021</b>	\$ 277,743
<b>Net Book Value</b>	
<b>At June 30, 2021</b>	\$ 5,202,653
<b>At December 31, 2021</b>	\$ 5,360,972

During the year ended December 31, 2020, the Company entered into a development agreement with InterDynamix Systems Partnership ("IDX"), to develop the Platform (the "Development Agreement").

In 2020, the Company entered into a Licensing and Service Agreement where the Company will license the platform rights to IDX and grants IDX the exclusive rights to provide support and maintenance for the engineering, marketing and development of the platform. From July 1, 2021 – December 31, 2021, the Company capitalized expenditures totalling \$436,062 (for the six months ended June 31, 2021 - \$585,811) (Note 16).

On October 1, 2021, the Company began to amortize the Platform based on its useful life of 5 years as the Platform was determined to be ready for its intended use. Additions to the Platform subsequent to the date that the Platform was determined to be ready for its intended use were assessed in accordance with the policy for intangible assets and determined to be qualified as development expenditures.

#### *Impairment assessments*

As at June 30, 2021 and with respect to the intangible asset related to development costs, management calculated its fair value less costs to sell using a discounted cash flow model (Level 3 in the fair value hierarchy) based upon financial forecasts prepared by management using a discount rate of 26.51%, a cumulative aggregate growth rate of 41.1% over five years and a nominal terminal value. The Company has concluded that there was no impairment as a result of the analysis for the year ended June 30, 2021 as the recoverable amount exceeded the carrying amount by approximately \$2,134,962 at a low end of the reasonable range. A fifty percent reduction in the forecast or a one percent increase in the discount rate applied would result in the carrying value of the intangible asset will not exceed the reasonable range of the recoverable amount.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

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### 9. Lease Liability

During the six month period 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.

<b>Balance at December 31, 2020</b>	\$	-
Additions		23,736
Lease payments during the period		(3,500)
Accretion		1,299
<b>Balance at June 30, 2021</b>	\$	21,535
Lease payments during the period		(3,000)
Accretion		1,009
<b>Balance at December 31, 2021</b>	\$	19,544
<b>Current portion</b>	\$	4,291
<b>Long term portion</b>	\$	15,253
<b>Contractual undiscounted cash flows:</b>		
2022	\$	4,291
2023		4,740
2024		5,235
2025		5,278
	\$	19,544

The minimum lease payment is \$6,000 per year, for the next five years, until expiration of the lease in November 2025.

### 10. 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.

# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

### 11. Share Capital

#### Authorized:

Unlimited number of common shares and preferred shares without par value

#### Issued:

##### Common shares

	Number	\$
<b>Balance, December 31, 2020</b>	<b>43,480,000</b>	<b>1,009,636</b>
Private placement (i)	1,740,000	463,788
Private placement (ii)	1,000,000	262,966
Private placement (iii)	4,025,000	1,141,642
HIT debt conversion	11,000,000	3,014,000
HIT common shares outstanding prior to RTO (Note 5)	2,569,824	2,417,629
Share issued to effect RTO (Note 5)	50,245,000	3,727,636
Elimination of Carbeeza common shares and HIT equity (Note 5)	(50,245,000)	(5,431,629)
Less issuance costs	-	(230,685)
<b>Balance, June 30, 2021</b>	<b>63,814,824</b>	<b>6,374,983</b>
Share issuance (Note 12)	78,300	42,305
Less issuance costs (Note 12)	-	(82,938)
<b>Balance, December 31, 2021</b>	<b>63,893,124</b>	<b>6,334,350</b>

(i) On April 9, 2021, the Company issued 1,740,000 Units at a price of \$0.40 per Unit for gross proceeds of \$696,000. Each Unit consists of one common share and one common share purchase warrants. Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.00 per share for a period of two years. The value attributed to the Warrants based on the Black Scholes option pricing model was \$217,137 and additionally 120,800 Broker Warrants were issued and valued at \$15,075 and are included in contributed surplus.

(ii) On June 15, 2021, the Company issued 1,000,000 Units at a price of \$0.40 per Unit for gross proceeds of \$400,000. Each Unit consists of one common share and one common share purchase warrants. Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.00 per share for a period of two years. The value attributed to the Warrants based on the Black Scholes option pricing model was \$125,547 and are included in contributed surplus.

(iii) On June 28, 2021, the Company issued 4,025,000 Units at a price of \$0.40 per Unit for gross proceeds of \$1,610,000. Each Unit consists of one common share and one common share purchase warrants. Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.00 per share for a period of two years. The value attributed to the Warrants based on the Black Scholes option pricing model was \$468,358. Additionally, 92,000 Broker warrants were issued and valued at \$11,487 and are included in contributed surplus.

## Carbeeza Inc.

### Notes to the Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

#### 12. Contributed Surplus

Warrants Issue Date	Warrant Expiry Date	Strike Price	Number of Warrants issued	Weighted average remaining life (years)	Valuation
September 23, 2020	September 23, 2022	\$ 1.00	3,491,550	0.73	\$ 422,364
April 9, 2021	April 9, 2023	\$ 1.00	1,860,800	1.27	232,212
June 15, 2021	June 15, 2023	\$ 1.00	1,000,000	1.45	125,547
June 28, 2021	June 28, 2023	\$ 1.00	4,117,000	1.49	479,845
October 1, 2021	October 1, 2023	\$ 1.00	78,300	1.75	9,125
					\$ 1,269,093

	December 31, 2021		June 30, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	10,469,350	1.00	3,828,000	1.00
Issued	78,300	1.00	6,977,800	1.00
Surrendered	-		(336,450)	1.00
Outstanding, end of period	10,547,650	1.00	10,469,350	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 Consolidated Financial Statements

(Stated in Canadian dollars)

For the six month periods ended December 31, 2021 and June 30, 2021

### 12. Contributed Surplus (continued)

On June 29, 2021, shareholders of the Company voted to adopt a new stock option plan which supersedes any prior stock option plans. Under the new 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 10 years. The following table summarizes activity under the Company's stock option plan:

	Number	Weighted average exercise price
<b>Balance, December 31, 2020</b>	<b>97,895</b>	<b>3.28</b>
Expired	-	1.00
Forfeited	(97,895)	2.89
<b>Balance, June 30, 2021</b>	<b>-</b>	<b>-</b>
Granted	5,495,000	0.49
Expired	-	-
Forfeited	-	-
<b>Balance, December 31, 2021</b>	<b>5,495,000</b>	<b>0.49</b>

As of December 31, 2021, the following stock options were outstanding and exercisable:

Exercise Price \$	Number of Options Outstanding	Expiry Date	# of Options exercisable	Remaining Contractual Life (year)
0.58	5,495,000	November 29, 2026	5,495,000	4.92

The stock options shall vest as follows:

:

- 34% of the stock options shall vest immediately on the Grant Date, November 29, 2021.
- 33% of the Stock Options will vest on November 29, 2022;
- the final 33% of the Stock Options will vest on November 29, 2023.

The weighted-average remaining contractual life of options outstanding on December 31, 2021 was 4.92 years (June 30, 2021 – 3.145 years).

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 Consolidated Financial Statements

(Stated in Canadian dollars)

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### 12. Contributed Surplus (continued)

Each broker unit option entitles the holder to purchase one common share and one whole Warrant of the Company at an exercise price of \$0.40 per unit. Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.00 per share for a period of two years. The value attributed to the broker unit option based on the Black Scholes option pricing model was \$82,938. During the six month period ended December 31, 2021, 78,300 broker unit options were exercised.

	December 31, 2021		June 30, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	-	-	-	-
Issued	322,000	0.40	-	-
Exercised	(78,300)	0.40	-	-
Outstanding, end of period	243,700	0.40	-	-

The weighted-average remaining contractual life of broker unit options outstanding on December 31, 2021 was 1.49 years.

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

Dividend yield	0%
Expected volatility	134.93%
Risk-free interest rate	0.45%
Forfeiture rate	0%
Share price – estimated fair value	\$ 0.3915
Term	2 years
Fair value per option	\$ 0.2576



# Carbeeza Inc.

## Notes to the Consolidated Financial Statements

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For the six month periods ended December 31, 2021 and June 30, 2021

### 13. Taxes

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

	December 31, 2021	June 30, 2021
Loss before taxes	\$ (2,180,272)	\$ (4,867,264)
Statutory tax rate	23%	23%
Expected income tax recovery	(501,463)	(1,119,471)
Rate differential	-	4,948
Impact of share issue costs	(19,076)	(90,924)
Permanent differences	194,663	919,456
Tax benefit not recognized	325,876	285,991
Income tax expense	\$ -	\$ -

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

	December 31, 2021	June 30, 2021
Non-capital losses	\$ 2,818,753	\$ 1,406,000
API Platform	276,696	-
Share issue costs	430,432	356,000
	\$ 3,525,881	\$ 1,762,000

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.

### 14. 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, 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 Consolidated Financial Statements

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### 15. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks. The Company is exposed to credit, liquidity, and market risk because of holding certain financial instruments. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk Management is carried out by senior management, in particular, the Board of Directors.

#### Fair Value

The Company's financial instruments consist of cash, funds held in trust, marketable securities, goods and services tax receivable, account payables and accrued liabilities and lease liability. The carrying amounts of current assets and liabilities approximate their fair value due to their short period to maturity. The long-term portion of lease liability approximates the fair value as the market rate of interest was utilized in determining the carrying value.

#### Credit risk

Credit risk arise when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash, funds held in trust, marketable securities and goods and services tax receivable. The credit risk relating to cash, funds held in trust and marketable securities balances is limited because the counterparty is a large commercial bank in Canada and major Canadian law firm, and goods and services tax receivable is from the Government of Canada.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a negative working capital as at December 31, 2021, with current assets of \$908,985 (June 30, 2021 - \$1,950,354) and current obligations of \$1,126,311 (June 30, 2021 - \$705,779). Therefore, the company will need additional sources of cash flows to meet obligations as they come due.

#### Interest rate risk

The Company is not exposed to significant interest rate risk as its interest-bearing financial instruments carry a fixed rate of interest.

### 16. 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.

	December 31, 2021		June 30, 2021	
	Included in Accounts Payable	Expensed during the period	Included in Accounts Payable	Expensed during the period
Platform Maintenance / Marketing / Rent	540,727	238,542	94,071	628,771
Stock based compensation	-	338,851	-	-
Key management salaries and benefits	9,450	37,800	28,298	38,220
Legal and accounting	6,141	110,200	61,346	250,011
Consulting / Marketing	21,420	135,967	-	19,868

# **Carbeeza Inc.**

## **Notes to the Consolidated Financial Statements**

*(Stated in Canadian dollars)*

For the six month periods ended December 31, 2021 and June 30, 2021

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### **17. Commitment to Issue Shares**

On June 29, 2021, the Company entered into a Commitment Agreement with a shareholder of HIT where shares in the amount of \$200,000 will be purchased by the shareholder. The commitment of the shareholder is that the shareholder shall indemnify the Company for the accounts payable and committed to purchase, either directly or through a nominee, an aggregate of \$200,000 in shares in the capital of the Company to offset the liabilities.

### **18. Subsequent Event**

On January 24, 2022, the Company launched a non-brokered private placement of 10% unsecured convertible debentures ("debenture") for approximate gross proceeds of \$5,000,000, with an issue price of \$5,000 per 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 expects to close the private placement no later than May 6, 2022. The proceeds will be used to continue the development of the Platform, advertising, marketing, and general corporate purposes.