Condensed Interim Consolidated Financial Statements

Carbeeza Inc.

As at June 30, 2023 and
for the six months ended June 30, 2023 and June 30, 2022
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, 2023 and December 31, 2022

		June 30, 2023		December 31, 2022
ASSETS				
Current assets				
Cash	**$**	**103,343**	$	321,162
Marketable securities		**30,000**		30,000
Goods and services tax receivable		**53,038**		45,708
Prepaid expenses		**78,482**		88,430
Total current assets		**264,863**		485,300
Property and equipment *(Note 3)*		**7,688**		7,458
Right of use asset *(Note 4)*		**11,472**		13,846
Intangible assets *(Note 5)*		**4,979,551**		5,214,120
Total assets	**$**	**5,263,574**	$	5,720,724
LIABILITIES and EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**2,262,505**	$	1,095,415
Current portion of lease liability *(Note 6)*		**2,429**		4,740
		2,264,934		1,100,155
Convertible debenture *(Note 8)*		**2,201,661**		2,086,738
Loans payable *(Note 7)*		**493,636**		1,257,397
Lease Liability *(Note 6)*		**10,513**		10,513
Total liabilities		**4,970,744**		4,454,803
Shareholders' equity				
Share capital *(Note 10)*		**7,165,999**		6,334,350
Contributed surplus *(Note 11)*		**7,682,807**		7,264,456
Deficit		**(14,555,976)**		(12,332,885)
Total shareholders' equity		**292,830**		1,265,921
Total liabilities and shareholders' equity	**$**	**5,263,574**	$	5,720,724

Nature of operations and going concern *(Note 1)*
Subsequent event *(Note 15)*

Approved by the Board of Directors:

"signed" Director

"signed" Director

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

Carbeeza Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Stated in Canadian dollars
(Unaudited)
For the six months ended June 30, 2023 and June 30, 2022

		Six months ended June 30, 2023		Six months ended June 30, 2022
Expenses				
Amortization and accretion *(Note 3, 4 and 5)*	**$**	**745,863**	$	586,873
Advertising and marketing		**338,195**		317,334
Consulting services		**341,149**		385,750
General and administrative		**23,900**		4,994
Insurance		**21,874**		18,932
Interest expense *(Note 7 and 8)*		**136,238**		-
Online hosting services		**142,309**		107,781
Platform maintenance		**-**		11,440
Professional fees		**132,719**		92,656
Public company fees		**23,622**		20,374
Subscriptions		**317,222**		292,997
Total expenses		**2,223,091**		1,839,129
Net loss and comprehensive loss	**$**	**(2,223,091)**	$	(1,839,129)
Loss per share *(Note 9)*				
Basic and diluted	**$**	**(0.03)**	$	(0.03)
Weighted average number of shares outstanding		**68,165,653**		63,814,824

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, 2023 and June 30, 2022

	Common Shares	Contributed Surplus	Deficit	Total Equity
	$	$	$	$
Balance at December 31, 2021	**6,334,350**	**6,358,255**	**(7,542,360)**	**5,150,245**
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**
Balance at December 31, 2022	**6,334,350**	**7,264,456**	**(12,332,885)**	**1,265,921**
Shares issued *(Note 10)*	831,649	418,351	-	1,250,000
Net loss and comprehensive loss	-	-	(2,223,091)	(2,223,091)
Balance at June 30, 2023	**7,165,999**	**7,682,807**	**(14,555,976)**	**292,830**

Carbeeza Inc.

Condensed Interim Consolidated Statements of Cash Flows

Stated in Canadian dollars
(Unaudited)
For the six months ended June 30, 2023 and June 30, 2022

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash provided by (used for) the following activities:		
Operating activities		
Net loss for the period	**$ (2,223,091)**	$ (1,839,129)
Amortization and accretion *(Note 3, 4, 5, 6 and 8)*	**745,863**	586,873
Interest expense *(Note 7 and 8)*	**136,238**	0
Changes in non-cash working capital:		
Goods and services tax receivable	**(7,330)**	23,019
Prepaid expenses	**9,948**	4,891
Accounts payable and accrued liabilities	**1,167,091**	(402,995)
Cash flows used in operating activities	**(171,281)**	(1,627,341)
Financing activities		
Payment of loan payable *(Note 7)*	**(1,000,000)**	-
Proceeds from convertible debenture issuance	**-**	2,000,000
Proceeds from promissory note issuance *(Note 7)*	**200,000**	-
Issue of share capital *(Note 10)*	**1,250,000**	-
Cash flows provided by financing activities	**450,000**	2,000,000
Investing activities		
Purchases of property and equipment *(Note 3)*	**(1,420)**	(6,350)
Payments on lease liability *(Note 6)*	**(3,000)**	(3,000)
Expenditures on intangible asset *(Note 5)*	**(492,118)**	(524,461)
Cash flows used in investing activities	**(496,538)**	(533,811)
Decrease in cash	**(217,819)**	(161,152)
Cash, beginning of the period	**321,162**	716,054
Cash, end of the period	**$ 103,343**	$ 554,902

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 Company trades on the TSX Venture Exchange (the “TSX”) under the symbol AUTO.

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, 2023, the Company has incurred a loss of $2,223,091, negative cash flows from operating activities of $171,281, and has accumulated deficit of $14,555,976 at June 30, 2023 and no recurring sources of income. 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.

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 10, 2023.

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.

Stated in Canadian dollars

2. Basis of Preparation (continued)

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. Equipment

Cost		**Computer Equipment**
Balance at December 31, 2022	$	11,825
Additions		1,420
Balance at June 30, 2023	**$**	**13,245**
Accumulated amortization		
Balance at December 31, 2022	$	4,367
Amortization		1,190
Balance at June 30, 2023	$	5,557
Carrying amounts		
At December 31, 2022	**$**	**7,458**
At June 30, 2023	**$**	**7,688**

Stated in Canadian dollars

4. Right-of-use Assets

During 2021, the Company entered into a five year lease agreement with InterDynamix Systems Partnership ("IDX"), a company, at that time related through common ownership, 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, 2022	$ 23,736
Additions	-
Balance at June 30, 2023	**$ 23,736**
Accumulated amortization	
Balance at December 31, 2022	$ 9,890
Amortization	2,374
Balance at June 30, 2023	$ 12,264
Carrying amounts	
At December 31, 2022	**$ 13,846**
At June 30, 2023	**$ 11,472**

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, 2022	$ 6,718,667
Additions	492,118
Balance at June 30, 2023	**$ 7,210,785**
Accumulated Amortization	
Balance at December 31, 2022	$ 1,504,547
Amortization	726,687
Balance at June 30, 2023	**$ 2,231,234**
Net Book Value	
At December 31, 2022	**$ 5,214,120**
At June 30, 2023	**$ 4,979,551**

Stated in Canadian dollars

6. Lease Liability

During the year ended December 31, 2021, the Company entered into a five year lease agreement with IDX with respect to office space. The lease expires in November 2025. The lease is calculated using an incremental borrowing rate of 10% per annum.

Balance at December 31, 2022	$	15,253
Additions		0
Lease payments during the period		(3,000)
Accretion		689
Balance at June 30, 2023	$	12,942
Current portion	**$**	**2,429**
Long term portion	**$**	**10,513**

Maturity of the lease liability:			
	2023	$	2,429
	2024		5,235
	2025		5,278
Current portion		**$**	**12,942**

7. Loans Payable

On November 11, 2022, the Company entered into a loan transaction with a non-arm's length party in the form of an unsecured promissory note in the amount of $250,000, bearing interest for a term of 24 months at a rate of 12% per annum.

On December 23, 2022, the Company entered into a loan transaction with a non-arm's length party in the form of an unsecured promissory note in the amount of $1,000,000, bearing interest for a term of 24 months at a rate of 12% per annum. On February 24, 2023, loan was extinguished through issuance of units of the Company pursuant to a private placement.

On May 19, 2023, the Company entered into a loan transaction with a non-arm's length party in the form of an unsecured promissory note in the amount of $200,000, bearing interest for a term of 24 months at a rate of 12% per annum.

During the six months ended June 30, 2023, interest expense incurred was $36,238 (June 30, 2022 – NIL) which is unpaid and included in loans payable.

Stated in Canadian dollars

8. Convertible Debentures

On May 9, 2022, the Company issued an unsecured convertible note, to a non-arm's length party, with a face value of $2,000,000 and a term to maturity of two years. This convertible debenture bears interest at a rate of 10% per annum with a two-year term and is convertible into common shares of the Company at $0.40 per share at any time, at the option of the holder, up to the date of maturity.

The initial recognition of the host liability was determined using an estimated discount rate (12%) for a similar debt instrument without a conversion feature. The host liability was initially recognized at a carrying value of $1,940,156. The fair value of the conversion feature was the residual value after deducting the fair value of the host liability from the fair value of the compound financial instrument. The effective interest rate calculated for the purpose of determining the amortized cost is 12.6%.

Balance at December 31, 2022	$ 2,086,738
Interest accrued during the period	100,000
Accretion	14,923
Balance at June 30, 2023	$ 2,201,661

Maturity of the convertible debentures	
2023	$ -
2024	2,201,661
	$ 2,201,661

9. 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. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Stated in Canadian dollars

10. Share Capital

Authorized:

Unlimited number of common shares and preferred shares without par value

Issued:
Common shares

	Number	$
Balance, December 31, 2022	**63,893,124**	**6,334,350**
Share issuance	6,250,000	831,649
Less issuance costs	-	-
Balance, June 30, 2023	**70,143,124**	**7,165,999**

On February 24, 2023, the Company issued 6,250,000 Units at a price of $0.20 per Unit for gross proceeds of $1,250,000. 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 $0.25 per share for a period of thirty months. The value attributed to the Warrants based on the Black Scholes option pricing model was $418,351.

Of the issued and outstanding common shares, 21,692,831 shares are being held in escrow.

11. Contributed Surplus

Warrants Issue Date	Warrant Expiry Date	Strike Price	# of Warrants issued	Weighted average remaining life (years)	Valuation
September 23, 2020	June 29, 2024	$ 0.20	3,491,550	1.00	$ 422,364
April 9, 2021	June 29, 2024	$ 0.20	1,860,800	1.00	232,212
June 15, 2021	June 29, 2024	$ 0.20	1,000,000	1.00	125,547
June 28, 2021	June 29, 2024	$ 0.20	4,117,000	1.00	479,845
October 1, 2021	October 1, 2023	$ 1.00	78,300	0.25	9,125
February 24, 2023	August 24, 2025	$ 0.25	6,250,000	2.15	418,351
					$ 1,687,444

On June 11, 2023, the Company extended the expiry date of the issued Warrants from June 29, 2023 to June 29, 2024. The Warrants were also repriced from an Exercise Price of $1.00 to a new Exercise Price of $0.20..

Stated in Canadian dollars

11. Contributed Surplus (continued)

	June 30, 2023		December 31, 2022	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	**10,547,650**	**0.21**	10,547,650	1.00
Issued	6,250,000	0.25	-	-
Surrendered	**-**		-	-
Outstanding, end of period	**16,797,650**	**0.22**	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

On September 27, 2022, 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 of options	**Weighted average exercise price**
Balance, December 31, 2022 and June 30, 2023	**5,495,000**	**$ 0.49**

Stated in Canadian dollars

11. Contributed Surplus (continued)

As of June 30, 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	3.42

The weighted-average remaining contractual life of options outstanding on June 30, 2023 was 3.41 years (December 31, 2022 – 3.92 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

12. 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, 2023		December 31, 2022
Loss before taxes	**$**	**(2,207,512)**	$	(4,790,525)
Statutory tax rate		**23%**		23%
Expected income tax recovery		**(507,728)**		(1,101,821)
Permanent differences		**-**		194,662
Tax benefit not recognized		**505,728**		907,159
Income tax expense	**$**	**-**	**$**	**-**

Stated in Canadian dollars

12. Taxes (continued)

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

		June 30, 2023		December 31, 2022
Non-capital losses	**$**	**6,652,808**	$	5,171,983
API Platform		**2,231,234**		1,504,547
Share issue costs		**413,844**		413,844
	$	**9,297,886**	$	7,090,374

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.

13. 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 2023.

14. 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, 2023		December 31, 2022	
	Included in Accounts Payable	**Paid during the period**	Included in Accounts Payable	Paid during the period
Platform Maintenance / Marketing / Rent	**-**	**-**	-	570,941
Key management salaries and benefits	**-**	**-**	-	56,700
Legal and accounting	**-**	**140,190**	11,937	191,054
Consulting / Marketing	**18,900**	**111,353**	18,900	225,492