

Carbeeza



Condensed Interim Consolidated Financial Statements

Carbeeza Inc.

*As at March 31, 2022 and
for the three months ended March 31, 2022 and March 31, 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 March 31, 2022 and December 31, 2021

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 329,038	\$ 716,054
Marketable securities	30,000	30,000
Goods and services tax receivable	38,296	78,711
Prepaid expenses	86,474	84,220
Total current assets	483,808	908,985
Property and equipment (Note 3)	3,015	3,259
Right of use asset (Note 4)	17,406	18,593
Intangible assets (Note 5)	5,314,809	5,360,972
Total assets	\$ 5,819,038	\$ 6,291,809
LIABILITIES and EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,483,106	\$ 1,122,020
Current portion of lease liability (Note 6)	3,258	4,291
	1,486,364	1,126,311
Lease Liability (Note 6)	15,253	15,253
Total liabilities	1,501,617	1,141,564
Shareholders' equity		
Share capital (Note 8)	6,334,350	6,334,350
Contributed surplus (Note 9)	6,358,255	6,358,255
Deficit	(8,375,184)	(7,542,360)
Total shareholders' equity	4,317,421	5,150,245
Total liabilities and shareholders' equity	\$ 5,819,038	\$ 6,291,809

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

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 three months ended March 31, 2022 and March 31, 2021

	Three months ended March 31, 2022	Three months ended March 31, 2021
Expenses		
Amortization and accretion <i>(Note 3, 4 and 5)</i>	\$ 286,670	\$ 233
Advertising and marketing	134,207	8,106
Consulting services	166,875	93,423
General and administrative	2,582	-
Insurance	9,466	-
Online hosting services	38,881	13,753
Platform maintenance	11,440	-
Professional fees	40,948	163,501
Public company fees	4,991	-
Subscriptions	136,764	67,773
Total expenses	832,824	346,789
Net loss and comprehensive loss	\$ (832,824)	\$ (346,789)
Loss per share <i>(Note 7)</i>		
Basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	63,814,824	43,405,000

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 three months ended March 31, 2022 and March 31, 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 8)	647,680	-	-	647,680
Net loss and comprehensive loss	-	-	(346,789)	(346,789)
Balance at March 31, 2021	1,657,316	4,602,342	(841,613)	5,418,045
Balance at December 31, 2021	6,334,350	6,358,255	(7,542,360)	5,150,245
Net loss and comprehensive loss	-	-	(832,824)	(832,824)
Balance at March 31, 2022	6,334,350	6,358,255	(8,375,184)	4,317,421

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 three months ended March 31, 2022 and March 31, 2021

	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash provided by (used for) the following activities:		
Operating activities		
Net loss for the period	\$ (832,824)	\$ (346,789)
Amortization and accretion (Note 3, 4 and 5)	286,670	233
Changes in non-cash working capital:		
Goods and services tax receivable	40,415	(32,579)
Prepaid expenses	(2,254)	14,983
Accounts payable and accrued liabilities	361,085	107,522
Cash flows used in operating activities	(146,908)	(256,630)
Financing activities		
Issue of share capital	-	647,680
Cash flows provided by financing activities	-	647,680
Investing activities		
Payments on lease liability	(1,500)	-
Expenditures on intangible asset (Note 5)	(238,608)	(309,590)
Cash flows used in investing activities	(240,108)	(309,590)
Increase (decrease) in cash	(387,016)	81,460
Cash, beginning of the period	716,054	684,681
Cash, end of the period	\$ 329,038	\$ 766,141

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 three months ended March 31, 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 quarter ended March 31, 2022, the Company has incurred a loss of \$832,824, negative cash flows from operating activities of \$146,908, and has accumulated deficit of \$8,375,184 at March 31, 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.

Subsequent to the quarter end, 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 continue the development of the API Platform and to fund advertising, marketing, 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 May 27, 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 three months ended March 31, 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		-
Balance at March 31, 2022	\$	5,475
Accumulated amortization		
Balance at December 31, 2021	\$	2,216
Amortization		244
Balance at March 31, 2022	\$	2,460
Carrying amounts		
At December 31, 2021	\$	3,259
At March 31, 2022	\$	3,015

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the three months ended March 31, 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 March 31, 2022	\$ 23,736
Accumulated amortization	
Balance at December 31, 2021	\$ 5,143
Amortization	1,187
Balance at March 31, 2022	\$ 6,330
Carrying amounts	
At December 31, 2021	\$ 18,593
At March 31, 2022	\$ 17,406

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the three months ended March 31, 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	238,608
Balance at March 31, 2022	\$ 5,877,323

Accumulated Amortization	
Balance at December 31, 2021	\$ 277,743
Amortization	284,771
Balance at March 31, 2022	\$ 562,514

Net Book Value	
At December 31, 2021	\$ 5,360,972
At March 31, 2022	\$ 5,314,809

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	(1,500)
Accretion	467
Balance at March 31, 2022	\$ 18,511

Current portion	\$ 3,258
Long term portion	\$ 15,253

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the three months ended March 31, 2022 and 2021

6. Lease Liability (continued)

Maturity of the lease liability:		
2022	\$	3,258
2023		4,740
2024		5,235
2025		5,278
<hr/>		
Current portion	\$	18,511

7. 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.

8. 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, March 31, 2022	63,893,124	6,334,350

There were no share issuances during the three months ended March 31, 2022.

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the three months ended March 31, 2022 and 2021

9. 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

	March 31, 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 three months ended March 31, 2022 and 2021

9. 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 5 years. The following table summarizes activity under the Company's stock option plan as of March 31, 2022:

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

As of March 31, 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	4.67

The weighted-average remaining contractual life of options outstanding on March 31, 2022 was 4.67 years (December 31, 2021 – 4.92 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

Carbeeza Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Stated in Canadian dollars

(Unaudited)

For the three months ended March 31, 2022 and 2021

10. Taxes

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

	March 31, 2022		December 31, 2021
Loss before taxes	\$ (832,824)	\$	(2,180,272)
Statutory tax rate	23%		23%
Expected income tax recovery	(191,550)		(501,463)
Rate differential	-		-
Impact of share issue costs	-		(19,076)
Impacting of listing expense	-		194,663
Tax benefit not recognized	191,550		325,876
Income tax expense	\$ -	\$	-

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

	March 31, 2022		December 31, 2021
Non-capital losses	\$ 3,366,806	\$	2,818,753
API Platform	284,771		277,743
Share issue costs	430,432		430,432
	\$ 4,082,009	\$	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.

11. 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 three months ended March 31, 2022 and 2021

12. 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.

	March 31, 2022		December 31, 2021	
	Included in Accounts Payable	Paid during the period	Included in Accounts Payable	Paid during the period
Platform Maintenance / Marketing / Rent	906,675	383,245	540,727	674,601
Stock based compensation		-		338,851
Key management salaries and benefits	-	67,988	-	67,988
Legal and accounting	4,573	23,331	6,141	170,752
Consulting / Marketing	21,575	57,164	21,420	123,367

13. Subsequent Events

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. The proceeds will be used to continue the development of the API Platform and to fund advertising, marketing, and general corporate purposes.

On May 1, 2022, Converge Technology Solutions Corp. (CTS) acquired IDX Systems Corp, previously considered a related party. Although IDX Systems Corp no longer has common control with the Company, it will continue to provide the support and maintenance for the engineering, marketing and development of the platform.