CARBONTECH CAPITAL CORP.

(A Capital Pool Company)
Unaudited Condensed Interim Financial Statements

For the nine months ended September 30, 2023 and 2022
(In Canadian dollars)

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Carbontech Capital Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by Charter Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CARBONTECH CAPITAL CORP.

Condensed Interim Statements of Financial Position
(In Canadian dollars)
Unaudited

As at		September 30, 2023		December 31, 2022
Assets				
Current:				
Cash	$	484,481	$	717,881
Deferred asset		138,643		138,642
Total assets	$	623,124	$	856,523
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities		45,789		208,910
Shareholders' equity:				
Shareholders' capital (Note 4a)		946,413		946,413
Contributed surplus (Note 4b)		131,439		131,439
Deficit		(500,517)		(430,239)
		577,335		647,613
Total liabilities and shareholders' equity	$	623,124	$	856,523

Nature of operations and going concern (Note 1)
Qualifying transaction (Note 8)

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

Approved on behalf of the Board of Directors

Andrew Shapack
Director

Seldon “Jamie” James
Director

CARBONTECH CAPITAL CORP.

Condensed Interim Statements of Loss and Comprehensive Loss
(In Canadian dollars)
Unaudited

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2023	2022	2023	2022
Expenses				
General and administrative (Note 7)	$ 10,417	$ 5,043	$ 70,278	$ 43,802
Share-based compensation (Note 4)	-	(1,033)	-	115,345
Net loss and comprehensive loss	$ (10,417)	$ (4,010)	$ (70,278)	$ (159,147)
Net loss per share				
Basic and diluted loss per share	(0.0006)	(0.0003)	(0.0041)	(0.0126)
Weighted average number of shares outstanding basic and diluted	17,308,439	12,596,110	17,308,439	12,596,110

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

CARBONTECH CAPITAL CORP.

Condensed Interim Statements of Changes in Shareholders' Equity
(In Canadian dollars)
Unaudited

For the nine months ended September 30, 2023

	Shareholder's capital	Contributed surplus	Deficit	Total
Shareholders' equity, beginning	$ 946,413	$ 131,439	$ (430,239)	$ 647,613
Net loss	-	-	(70,278)	(70,278)
Shareholders' equity, ending	$ 946,413	$ 131,439	$ (500,517)	$ 577,335

For the year ended December 31, 2022

	Shareholder's capital	Contributed surplus	Deficit	Total
Shareholders' equity, beginning	$ 615,422	$ 54,072	$ (106,864)	$ 562,630
Issuance of shares (Note 4a)	500,000	-	-	500,000
Share issue costs	(126,500)	-	-	(126,500)
Agent options	(42,509)	42,509	-	-
Grant and vesting of options (Note 4b)	-	34,858	-	34,858
Net loss	-	-	(323,375)	(323,375)
Shareholders' equity, ending	$ 946,413	$ 131,439	$ (430,239)	$ 647,613

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

CARBONTECH CAPITAL CORP.

Condensed Interim Statements of Cash Flows
(In Canadian dollars)
Unaudited

Nine months ended September 30,		2023		2022
Cash (used in):				
Operating activities:				
Net loss	$	(70,278)	$	(159,147)
Share-based compensation (Note 4b)		-		115,345
Changes in non-cash working capital items:				
(Increase) decrease in other assets		-		(197,471)
(Decrease) in accounts payable and accrued liabilities		(163,122)		32,401
Net cash flows used in operating activities		(233,400)		(208,872)
Financing activities:				
Proceeds from issuance of shares		-		410,884
Net cash flow from financing activities		-		410,884
Increase (decrease) in cash		(233,400)		202,012
Cash, beginning of period		717,881		586,847
Cash, end of period	$	484,481	$	788,859

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

1. Nature of operations and going concern:

CarbonTech Capital Corp. (the “Company”) was incorporated on July 15, 2021, by Certificate of Incorporation Company issued pursuant to the provisions of the Business Corporations Act (Ontario) under the name “CarbonTech Capital Corp.”. The Company is a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal undertaking of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The registered office of the Company is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1. The head office of the Company is located at 161 Bay Street, 27th Floor, Toronto, Ontario M5J 2S1.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company’s share from trading. These financial statements were prepared on a going-concern basis of accounting, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect adjustments that would be necessary if the going concern assumptions was not appropriate.

2. Basis of preparation:

These condensed interim financial statements of the Company have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. Accordingly, these interim financial statements should be read in conjunction with the Company's December 31, 2022 financial statements.

These condensed interim financial statements were approved by the Board of Directors of the Company on November 22, 2023.

(In Canadian dollars)

3. Significant accounting policies:

The interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

4. Share capital

(a) Common Shares

Authorized

Unlimited common shares with no par value

Issued

Issued and outstanding:		
17,308,439 Common Shares	$	946,413

On July 15, 2021, the Company issued 5,500,000 Common Shares for cash of $275,000, at $0.05 per share in connection with its seed capital. These 5,500,000 Common Shares are owned directly or indirectly by the directors and officers.

On November 1, 2021, the Company issued 6,808,439 Common Shares for cash of $340,422, at $0.05 per share in connection with its seed capital.

The Company successfully completed its initial public offering ("Offering") raising gross proceeds of $500,000 pursuant to a prospectus dated April 7, 2022 (the "Prospectus"). An aggregate of 5,000,000 common shares in the capital of the Company were subscribed for at a price of $0.10 per share. The shares began trading on the TSX Venture Exchange (the "Exchange") on June 9, 2022 (the “Listing Date”). The Company paid 10% of gross proceeds and issued 500,000 options to the Agent in connection with the Offering. The options have an exercise price of $0.10 per share, exercisable until the date that is five years from the Listing Date. As at the closing of the Offering, the Company has 17,308,439 Shares issued and outstanding (12,308,439 of which are subject to escrow restrictions).

(In Canadian dollars)

4. Share capital (continued):

(b) Stock options

The Option Plan provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten years from the date of grant. The Option Plan was approved by the Board of Directors and adopted by the Company on November 1, 2021.

On November 1, 2021, the Company granted 1,230,000 stock options to directors and officers of the Company. The options are exercisable at a price of $0.05, expiring on November 1, 2026 and vest immediately. The grant date fair value was valued using the Black-Scholes valuation model with the following assumptions: share price of $0.05, expected dividend yield of 0%, expected volatility of 140%, risk free rate of return of 0.96% and an expected maturity of 4.84 years. For the year ended December 31, 2021, $54,072 was recorded as share-based compensation expense.

On June 9, 2022, the Company granted 500,000 agent stock options, and 410,000 stock options to directors of the Company. The options are exercisable at a price of $0.10, expiring on June 9, 2027 and vest immediately. The grant date fair values were valued using the Black-Scholes valuation model with the following assumptions: share price of $0.10, expected dividend yield of 0%, expected volatility of 125%, risk free rate of return of 3.15% and an expected maturity of 5 years. For the year ended December 31, 2022, $42,509 was recorded as a share issuance cost and $34,858 was expensed to share-based compensation expense.

The following table reflects the continuity of stock options:

	Number	Weighted average exercise price
July 15, 2021 (date of incorporation)		
Granted	1,230,000	0.05
December 31, 2021	1,230,000	0.05
Granted	910,000	0.10
December 31, 2022 and September 30, 2023	2,140,000	0.07

(In Canadian dollars)

4. Share capital (continued):

The following table reflects the actual stock options issued and outstanding as of September 30, 2023:

Grant Date	Expiry Date	# of Options O/S	# of options vested	Exercise Price	Weighted average Remaining life
01-Nov-21	01-Nov-26	1,230,000	1,230,000	0.05	3.59
09-Jun-22	09-Jun-27	910,000	910,000	0.10	4.19
		2,140,000	2,140,000	0.07	3.91

Escrowed Securities:

On April 7, 2022, the Company entered into an escrow agreement pursuant to which 12,308,439 common shares and 1,230,000 stock options were placed in escrow and are subject to release in tranches over time. The escrow agreement provides that 25% of the common shares and stock options will be released from escrow upon the date of the final exchange bulletin and an additional 25% will be released therefrom every six-month interval thereafter, over a period of 18 months. As at September 30, 2023, the Company had 12,308,439 (December 31, 2022 – 12,308,439) common shares held in escrow.

All of the common Shares issued prior to the Offering at a price below $0.10 per common share, and all of the Common Shares that may be acquired from treasury by non arm's length parties of the Company either under the Offering or otherwise prior to the date of the Final Exchange Bulletin have been deposited with TSX Trust Company pursuant to the Escrow Agreement

5. Capital disclosures:

The Company's capital consists of shareholders' capital. The Company's' objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,

5. Capital disclosures (continued):

ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period end.

In accordance with the CPC policy, the gross proceeds raised from the issuance of shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and $165,000 may be used to cover prescribed costs of issuing shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

6. Financial instruments:

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

(a) Fair value:
The Company's financial instruments consist of cash, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the Company's search for a Qualifying Transaction, and limit exposure to credit and market risks.

(b) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is exposed to credit risk through its cash balance which is held with the Company's lawyers in trust. The Company believes its exposure to credit risk is not significant.

(In Canadian dollars)

6. Financial instruments (continued):

(c) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 6, in normal circumstances.

(d) Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. None of the Company's financial instruments bear interest. Therefore, management believes the Company has no significant exposure to interest rate risk through its financial instruments.

7. General and administrative:

For the period ended September 30,	2023	2022
Legal Fees	$ 6,550	$ 4,500
Professional services	40,382	39,302
General and administrative	23,346	-
	$ 70,278	$ 43,802

8. Qualifying transaction

On March 6, 2023, the Company entered into a purchase agreement (the "Agreement") with Happi Ventures Inc. ("Happi Builds") and its shareholders, pursuant to which the Company will acquire all of the issued and outstanding securities of Happi Builds (the "Transaction"). Under the terms of the Agreement, the Company will issue to the shareholders of Happi Builds at closing of the Transaction a total of 13,933,332 common shares in the capital of the Company.

The Transaction is subject to the approval of the Exchange and is intended to constitute CarbonTech's qualifying transaction for the purposes of the Corporate Finance Manual of the Exchange (the "Exchange Polices"). Upon completion of the Transaction, the Company, as the resulting issuer (the "Resulting Issuer"), will continue to list its common shares (the "Resulting Issuer Shares") on the Exchange as a Tier 2 issuer and its business will be that of Happi Builds. The proposed Transaction does not constitute a Non-Arm's Length Transaction under the Exchange Policies. There is no assurance that the Transaction will be completed under the terms described above or at all.