



**POWERBAND SOLUTIONS INC.  
Condensed Interim Consolidated Financial  
Statements  
Three and Nine Months Ended  
September 30, 2023 and 2022  
(Expressed in Canadian Dollars)**

**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of PowerBand Solutions Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

A decorative graphic consisting of several overlapping, semi-circular shapes in shades of light blue and white, resembling a stylized fan or a modern architectural element, located at the bottom of the page.

1100 Burloak Drive, Suite 300 Burlington, Ontario L7N 6B2

P 1-866-768-7653 F 289-816-1477  
[powerbandsolutions.com](http://powerbandsolutions.com)

# POWERBAND SOLUTIONS INC.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars) (Unaudited)

	Note	As at, September 30, 2023 (Unaudited)	As at, December 31, 2022 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	\$ 4,209,210	\$ 10,299,414
Accounts receivable, net	8	1,093,054	890,889
Other current assets	10	332,028	833,863
<b>Total current assets</b>		<b>5,634,292</b>	<b>12,024,166</b>
<b>Non-current assets</b>			
Property and equipment, net	11, 13	1,790,997	1,967,764
Right-of-use asset	15	2,209,270	2,726,938
Investment	12	514,550	442,660
Other non-current assets		73,163	73,293
<b>Total non-current assets</b>		<b>4,587,980</b>	<b>5,210,655</b>
<b>Total assets</b>		<b>\$ 10,222,272</b>	<b>\$ 17,234,821</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	16, 21, 27	\$ 13,053,583	\$ 4,904,938
Seller reserve provision		32,414	32,404
Lease obligation - current portion	17	689,738	702,906
Government assistance	18	60,000	60,000
Debt - current portion	11, 21	2,429,595	1,648,389
<b>Total current liabilities</b>		<b>16,265,330</b>	<b>7,348,637</b>
<b>Non-current liabilities</b>			
Lease obligation - long term portion	17	1,990,386	2,515,962
Long-term debt	11	333,503	-
<b>Total non-current liabilities</b>		<b>2,323,889</b>	<b>2,515,962</b>
<b>Total liabilities</b>		<b>18,589,219</b>	<b>9,864,599</b>
<b>Shareholders' Equity</b>			
Share capital	19	65,784,071	65,699,571
Reserves	19	16,939,227	16,570,059
Other comprehensive income		892,972	948,816
Deficit		(90,657,701)	(75,252,483)
<b>Total shareholders' equity attributed to owners</b>		<b>(7,041,431)</b>	<b>7,965,963</b>
Non-controlling interest	20	(1,325,516)	(595,741)
<b>Total shareholders' equity (deficit)</b>		<b>(8,366,947)</b>	<b>7,370,222</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 10,222,272</b>	<b>\$ 17,234,821</b>

Nature of operations and going concern (note 1); Subsequent events (note 28)  
Approved on behalf of the Board of Directors:

"Darrin Swenson" (signed)  
Director

"Jerome Letter" (signed)  
Director

# POWERBAND SOLUTIONS INC.

## Condensed Interim Consolidated Statements of Loss (Expressed in Canadian Dollars) (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Continuing operations</b>				
<b>Revenue</b>				
Vehicle and auction sales	\$ -	\$ 353	\$ -	\$ 155,313
Lease vehicle income	81,832	-	302,725	-
Lease originations and servicing revenue	473,566	1,499,941	1,588,915	10,883,277
Subscription revenue	-	-	-	6,398
	<b>555,398</b>	<b>1,500,294</b>	<b>1,891,640</b>	<b>11,044,988</b>
<b>Cost of goods sold</b>				
Vehicle acquisition (note 9)	-	-	-	140,253
Lease vehicle depreciation (note 13)	23,518	-	95,364	-
Lease acquisition and servicing costs	279,294	465,239	981,986	5,523,652
	<b>302,812</b>	<b>465,239</b>	<b>1,077,350</b>	<b>5,663,905</b>
Gross Profit	<b>252,586</b>	<b>1,035,055</b>	<b>814,290</b>	<b>5,381,083</b>
<b>Expenses</b>				
Salaries and wages (note 21)	884,870	1,827,152	3,867,460	6,369,263
Professional fees (note 21)	909,365	805,231	2,423,855	2,754,223
Cost of finance	-	-	-	22,500
Share based compensation (note 19(e))	160,058	932,927	453,668	4,882,720
Investor relations	-	32,144	-	113,622
Regulatory fees	18,708	64,661	99,302	250,963
Insurance	90,501	95,461	349,194	199,534
Advertising and promotion	20,103	262,737	204,330	1,492,778
Utilities	36,736	23,499	145,564	60,090
Office and sundry expenses	56,849	291,047	351,004	794,466
Travel expense	(11,821)	78,085	39,643	366,841
Telephone	14,191	14,665	91,789	42,009
Interest and bank charges	12,173	19,844	42,468	143,031
Amortization of intangible assets (note 14)	-	49,470	-	228,223
Depreciation of tangible assets (note 13)	19,640	46,334	114,957	136,384
Depreciation of right of use assets (note 15)	156,603	175,004	510,695	517,098
Accretion (note 17, 21)	95,996	117,897	285,664	695,386
Provision for expected loss (note 27)	(13,034)	-	8,772,738	-
Foreign exchange loss (gain)	(442)	(172,354)	1,972	(6,491)
	<b>2,450,496</b>	<b>4,663,804</b>	<b>17,754,303</b>	<b>19,062,640</b>
<b>Loss from operations</b>	<b>(2,197,910)</b>	<b>(3,628,749)</b>	<b>(16,940,013)</b>	<b>(13,681,557)</b>
<b>Other income (expense)</b>				
Discount on debt	-	-	-	434,828
Other income	315,356	-	727,068	-
Unrealized gain (loss) on fair value adjustment (note 12(a))	35,465	21,832	71,891	231,046
Unrealized gain (loss) on settlement of debt (note 19 (c))	-	-	-	164,907
Impairment of intangible assets (note 14)	-	(13,617)	-	(1,754,020)
	<b>350,821</b>	<b>8,215</b>	<b>798,959</b>	<b>(923,239)</b>
<b>Loss before taxes</b>	<b>(1,847,089)</b>	<b>(3,620,534)</b>	<b>(16,141,054)</b>	<b>(14,604,796)</b>
<b>Income taxes</b>				
<b>Net loss from continuing operations</b>	<b>\$ (1,847,089)</b>	<b>\$ (3,620,534)</b>	<b>\$ (16,141,054)</b>	<b>\$ (14,604,796)</b>

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

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**POWERBAND SOLUTIONS INC.****Condensed Interim Consolidated Statements of Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Discontinued operations</b>				
Income (loss) for the period from discontinued operations (note 26)	(14)	(56,325)	9,396	(6,089,575)
<b>Net loss for the period</b>	<b>(1,847,103)</b>	<b>(3,676,859)</b>	<b>(16,131,658)</b>	<b>(20,694,371)</b>
<b>Net loss attributable to:</b>				
Equity holders of PowerBand Solutions Inc.	(1,787,558)	(3,560,246)	\$ (15,405,218)	\$ (17,929,750)
Non-controlling interest (note 20)	\$ (59,545)	(116,613)	\$ (726,440)	\$ (2,764,621)
<b>Basic and diluted net loss per share-Equity holders of</b>				
<b>PowerBand Solutions Inc. from continuing and</b>				
<b>discontinuing operations</b>	\$ (0.006)	\$ (0.012)	\$ (0.051)	\$ (0.077)
<b>From continuing operations</b>	<b>(0.006)</b>	<b>(0.012)</b>	<b>(0.052)</b>	<b>(0.051)</b>
<b>Weighted average number of</b>				
<b>common shares outstanding - basic and diluted</b>	<b>299,282,129</b>	294,371,124	<b>299,190,775</b>	234,205,471

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

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**POWERBAND SOLUTIONS INC.****Condensed Interim Consolidated Statements of Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

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	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>Net loss</b>	<b>(1,847,103)</b>	(3,676,859)	<b>\$ (16,131,658)</b>	\$ (20,694,371)
<b>Other Comprehensive income (loss)</b>				
Loss on foreign currency translation	(181,359)	(7,463)	(59,179)	145,646
<b>Total Comprehensive Income (loss)</b>	<b>\$ (2,028,462)</b>	\$ (3,684,322)	<b>\$ (16,190,837)</b>	\$ (20,548,725)
<b>Total comprehensive loss attributable to:</b>				
Equity holders of PowerBand Solutions Inc	(1,856,315)	(3,612,268)	<b>\$ (15,461,062)</b>	\$ (17,760,047)
Non-controlling interest	(172,147)	(72,054)	<b>\$ (729,775)</b>	\$ (2,788,678)

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

# POWERBAND SOLUTIONS INC.

## Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian dollars) (Unaudited)

<b>Nine Months Ended September 30,</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows provided by (used in) operating activities</b>		
Net loss for the period	\$ (16,131,658)	\$ (20,694,371)
Net (Income) loss from discontinued operations	(9,396)	6,089,575
Net loss from continuing operations	(16,141,054)	(14,604,796)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Accretion on lease liability (note 17)	127,650	156,516
Accretion on loan (note 5(a) & 21(c))	158,014	538,870
Amortization of intangible assets (note 14)	-	228,223
Depreciation of tangible assets (note 13)	210,321	136,384
Depreciation of right of use assets (note 15)	510,695	517,098
Provision for expected loss (note 27)	8,772,738	-
Foreign exchange loss (gain)	1,972	(6,491)
Discount on debt (note 21(c))	-	(434,828)
(Gain) Loss on settlement of debt (note 19(c))	-	(164,907)
Impairment of intangible assets (note 14)	-	1,754,020
Unrealized loss (gain) on fair value adjustment (note 12(a))	(71,891)	(231,046)
Loss on disposition of leased vehicle asset	75,791	-
Share based compensation (note 19(e))	453,668	4,882,720
	(5,902,096)	(7,228,237)
(Increase) Decrease in:		
Accounts receivable	(140,440)	202,337
Inventory	-	(293,037)
Other current assets	436,361	(41,138)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	610,665	1,870,980
Seller reserve provision	67	(55,546)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,995,443)</b>	<b>(5,544,641)</b>
<b>Cash flows provided by (used in) investing activities</b>		
Purchase of property and equipment (note 13)	(462,446)	(9,447)
Addition to intangible asset (note 14)	-	(2,133,791)
Proceeds from disposition of Leased vehicle asset	344,091	-
Leased vehicle purchase	-	(2,829,395)
<b>Net cash used in investing activities</b>	<b>(118,355)</b>	<b>(4,972,633)</b>

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

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**POWERBAND SOLUTIONS INC.****Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

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<b>Nine Months Ended September 30,</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows provided by (used in) financing activities</b>		
Private placements, net	-	23,195,291
Exercise of warrants and options	-	608,466
Payment of debt (note 11)	<b>(314,569)</b>	(4,423,607)
Payment of lease liability, net of deposits received (note 17)	<b>(658,544)</b>	(678,580)
Proceeds from related parties (note 21)	-	6,776,633
Payments to related parties (note 21)	-	(2,477,319)
<b>Net cash (used in) provided by financing activities</b>	<b>(973,113)</b>	23,000,884
<b>Net change in cash</b>	<b>(6,086,911)</b>	12,483,610
Effect of exchange rate changes on cash held in foreign currencies	<b>(3,293)</b>	317,505
<b>Cash, beginning of period</b>	<b>10,299,414</b>	6,222,857
<b>Cash, end of period</b>	<b>\$ 4,209,210</b>	<b>\$ 19,023,972</b>

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

**POWERBAND SOLUTIONS INC.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

	Number of issued and outstanding shares #	Share Capital \$	Reserves \$	Other comprehensive income \$	Non-controlling interest \$	Deficit \$	Total Shareholders equity \$
<b>Balance December 31, 2021</b>	<b>198,227,060</b>	<b>43,852,237</b>	<b>5,896,184</b>	<b>(73,789)</b>	<b>651,598</b>	<b>(45,791,859)</b>	<b>4,534,371</b>
Private placements	79,354,361	23,806,308	-	-	-	-	23,806,308
Share issue costs	-	(611,017)	-	-	-	-	(611,017)
Exercise of warrants	578,276	283,355	-	-	-	-	283,355
Exercise of options	2,100,000	563,423	(238,313)	-	-	-	325,110
Shares issued for debt	15,113,640	2,871,592	1,497,593	-	-	-	4,369,185
Restricted share units issued	1,892,125	1,207,616	(1,207,616)	-	-	-	-
Share-based compensation	-	-	4,882,720	-	-	-	4,882,720
Acquisition of equity interest in subsidiary	-	-	-	176,480	1,763,268	(1,939,748)	-
Foreign currency translation	-	-	-	169,703	(24,057)	-	145,646
Loss for the period	-	-	-	-	(2,764,621)	(17,929,750)	(20,694,371)
<b>Balance, September 30, 2022</b>	<b>297,265,462</b>	<b>71,973,514</b>	<b>10,830,568</b>	<b>272,394</b>	<b>(373,812)</b>	<b>(65,661,357)</b>	<b>17,041,307</b>
<b>Balance December 31, 2022</b>	<b>298,765,462</b>	<b>65,699,571</b>	<b>16,570,059</b>	<b>948,816</b>	<b>(595,741)</b>	<b>(75,252,483)</b>	<b>7,370,222</b>
Restricted share units issued	516,667	84,500	(84,500)	-	-	-	-
Share-based compensation	-	-	453,668	-	-	-	453,668
Foreign currency translation	-	-	-	(55,844)	(3,335)	-	(59,179)
Loss for the period	-	-	-	-	(726,440)	(15,405,218)	(16,131,658)
<b>Balance, September 30, 2023</b>	<b>299,282,129</b>	<b>65,784,071</b>	<b>16,939,227</b>	<b>892,972</b>	<b>(1,325,516)</b>	<b>(90,657,701)</b>	<b>(8,366,947)</b>

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



**POWERBAND SOLUTIONS INC.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited - Expressed in Canadian dollars)**  
**For the nine months ended September 30, 2023 and 2022**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Powerband Solutions Inc. (formerly Marquis Ventures Inc.) (“Powerband Solutions” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on September 29, 2009. The Company’s head office is located at Suite 300, 1100 Burloak Drive, Burlington, Ontario, L7N 6B2. The registered office is located at 745 Thurlow Street, Suite 2400, Vancouver, BC, Canada V6E 0C5. The Company develops, markets and sells access to cloud-based transaction platforms to finance and lease new and used vehicles.

These unaudited condensed interim consolidated financial statements (“financial statements”) have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company incurred a loss of \$16,131,658 (September 30, 2022 - \$20,694,371), of which \$726,440 (September 30, 2022 - \$2,764,621) was attributed to the non-controlling interest during the nine months ended September 30, 2023, and as of that date, the Company had a deficit of \$90,657,701 (December 31, 2022 - \$75,252,483). During the year ended December 31, 2022, the Company repurchased certain lease contracts from a financial institution as a result of the repurchase clause of the Forward Flow Purchase and Security Agreement and is in negotiation with the financial institution for a claim to repurchase additional lease contracts. Refer to note 11 and note 27. As at September 30, 2023, the Company has a working capital deficit of \$10,631,038.

The continuity of the Company’s operations is dependent on raising future financing for working capital and obtaining profitable operations. Management anticipates that such financing will be required in the next three months. While management believes that it will be able to secure the necessary financing through shareholders loans and the issuance of new equity or debt instruments, there is no assurance that the Company will be successful in these actions. There can be no assurance that adequate financing will be available or available at terms favorable to the Company. Management acknowledges that these factors indicate the existence of material uncertainties that may cast significant doubt as to the Company’s ability to continue as a going concern. Should it be determined that the Company is no longer a going concern, adjustments which could be material, could be required to the carrying values of the assets and liabilities. These financial statements do not reflect any adjustments to the carrying values of the assets or liabilities or any impact on the consolidated statements of loss and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issuance on November 29, 2023.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These condensed interim consolidated financial statements, including comparatives have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”), incorporating interpretations issued by the IFRS Interpretations Committee (“IFRICs”).

**POWERBAND SOLUTIONS INC.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited - Expressed in Canadian dollars)**  
**For the nine months ended September 30, 2023 and 2022**

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**2. BASIS OF PREPARATION (continued)**

**a) Statement of compliance (continued)**

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2022. However, this interim financial report provides selected significant disclosures that are required in the annual audited consolidated financial statements under IFRS.

Except as described below, these condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2022.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2023.

Certain amounts in prior years have been reclassified to conform to the current period presentation.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and, therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2022. In the opinion of the management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine months ending September 30, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

**New Accounting Standards and recent pronouncements**

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The Company does not expect that the adoption of the following standards will have a material impact on the consolidated financial statements in future periods. There was no significant impact of new guidance applicable for the period ended September 30, 2023.

IAS 1 – Presentation of Financial Statements

In February 2021, the IASB issued an amendment to IAS 1 to defer the effective date of the January 2020 Classification of Liabilities as Current or Non-current (Amendments to IAS 1) by one year to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted. In June 2021, the IASB issued an amendment to IAS 1 to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are to be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 8 – Accounting Policies, Change in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8 to introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for the annual period beginning on or after January 1, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

**POWERBAND SOLUTIONS INC.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited - Expressed in Canadian dollars)**  
**For the nine months ended September 30, 2023 and 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New Accounting Standards and recent pronouncements (continued)**

IAS 12 – Income Taxes

In May 2021, the IASB issued an amendment to IAS 12 to narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IFRS 10 Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)

In September 2014, IFRS 10 and IAS 28 were amended to address a conflict between the requirements of the standards and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

The Company is currently assessing the impact of adopting these pronouncements.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities:

Going concern evaluation

Significant judgments used in the preparation of these financial statements relate to the assessment of the Company's ability to continue as a going concern. Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, management concluded the going concern basis of accounting is appropriate.

Share-based payments

The Company provides incentives via share-based payment entitlements (Note 19). The fair value of entitlements is determined in accordance with the accounting policy. If certain assumptions used in the fair value calculation were to change, there would be an impact on the share-based payment expenses recognized in the current period.

Estimated useful lives

Management estimates the useful lives of property and equipment, and intangible assets based on the period during which the assets are available for use. The amounts and timing of depreciation and amortization for these amounts are affected by the useful lives. The estimates are reviewed annually and are adjusted as new information becomes available.

**POWERBAND SOLUTIONS INC.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited - Expressed in Canadian dollars)**  
**For the nine months ended September 30, 2023 and 2022**

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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

Impairment of long-lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible or intangible asset, and the appropriate discount rate. During the year ended December 31, 2022, the Company's intangible assets that was acquired from business combination with IntellaCar Solutions LLC ("IntellaCar"), DrivrzLane and Drivrz Financial product development costs totaling \$6,169,574 was determined to be impaired. The lease contracts repurchased classified as tangible assets and non-performing totaling \$4,629,511 were determined to be impaired at December 31, 2022. During the nine months ended September 30, 2023, no impairment loss was recognized for the Company's tangible assets.

Impairment of goodwill

The Company performs an assessment of its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the Company's operations and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the year ended December 31, 2022, the Company's goodwill arising from the acquisition of IntellaCar and Drivrz Financial totaling \$2,718,850 was determined to be impaired.

Allocation of purchase consideration

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining asset and liabilities fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities and the determination of a bargain purchase gain on acquisition, if any. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

Leases

Critical judgments in determining the lease term

Extension and termination options are included in a number of property leases held by the Company. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability if it is not reasonably certain that the leases will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

Lease origination revenue claw backs

A portion of the lease origination revenue is subject to claw backs in the event of early termination, default, or prepayment by the end-customers and other contractual obligations. The Company's exposure for these events is limited to the fees that it receives. An estimated refund liability for claw backs against the revenue recognized for lease origination is recorded in the period in which the related revenue is recognized and is based on the Company's historical claw back experience. The Company updates its estimates at each reporting date. As at September 30, 2023, the Company recorded a liability of \$578,410 (December 31, 2022 - \$579,435) as a provision for claw back.

Leases – company as lessor

Significant judgements are used in the determination of the economic life of a vehicle. Management estimates the economic life of the vehicle as 200,000 miles. At the inception of each lease, it is classified as finance lease, or an operating lease based on meeting the threshold of 75% or more the economic life and the present value of the lease payments amount to 90% or more of the fair value of the underlying asset.

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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

Convertible debentures

Convertible debentures are financial instruments accounted for in two separate components, a debt instrument and equity instrument or a derivative liability. The identification of the respective components is based on interpretations of the substance of the contractual arrangement and thus requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the debt component. The determination of the fair value of the debt component is based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Provision for expected credit losses

The Company performs impairment testing annually for accounts and loan receivable in accordance with IFRS 9. The Expected Credit Loss ("ECL") model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

The Company applies the simplified approach to determine ECLs on accounts receivable by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the accounts receivable, adjusted for forward looking estimates.

Loans to Related Parties

The Company initially measures loans to related parties at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the fair value (net of transaction costs) and the redemption amount is recognized in the consolidated statements of loss over the period of the borrowing costs using the effective interest method. A significant judgement is applied to determine the fair value using a market interest rate for an equivalent borrowing from an unrelated, third party.

Fair value of convertible note

The Company initially measures the fair value of purchased convertible note based on the greater of the payoff of two scenarios: 1. The principal plus interest of the convertible note will be repaid at maturity and the Company applies an industry standard loss given default on the investee's future commitments or 2. The principal plus interest will be repaid in the form of stock. Significant judgement is applied to determine the greater of the payoff scenarios.

Fair value of investments in private companies

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit or loss. The fair value at the reporting date is determined in line with IFRS 13, Fair value measurement. Financial assets in this category are determined using a valuation technique where no active market exists. A significant judgement is applied due to the lack of external market information and uncertainties associated with future cash flow projections.

Interest in other entities

On December 31, 2020, and on June 30, 2021, the Company had 39.31% interest in IntellaCar Solutions LLC. The Company's interest increased to 60% as of December 31, 2021, and to 100% as of December 31, 2022, as a result of internal restructuring. Management assessed the involvement of the Company in accordance with IFRS 10, *Consolidated Financial Statements* and has concluded that the Company continues to exercise control on July 1, 2021, on the date of internal restructuring. In December 2020, subsequent disposition of interest in the controlled entity reduced the Company's interest to 39.31%. In making its judgments, that the Company controls IntellaCar Solutions LLC, management considered the following:

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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

Interest in other entities (continued)

- a) The Company's controlling shareholders also held a significant interest in this entity. The Company considers its controlling shareholders to be a "de facto agent" on the basis that the shareholder is a related party and is reliant on PowerBand for making strategic and operational decisions that impact the relevant activities of the entity and for providing operating capital. Consequently, the Company has combined the shareholdings of its controlling shareholder with its direct shareholdings in this entity when assessing control;
- b) The combined shareholding of the Company and its controlling shareholders is significant, and the shares held by other non-related shareholders is dispersed amongst a large number of shareholders meaning it is unlikely that other shareholders could outvote the Company; and
- c) The Company has common management with the entity and the minority owners of Intellacar Solutions LLC are also shareholders in the Company.
- d) The Company's interest reduced as a result of disposition of interest in the Controlling entity to arm's length third party who are existing shareholders in other entities within the combined group.

**5. BUSINESS COMBINATION AND ACQUISITIONS**

**a) Acquisitions in 2019 and 2021**

On July 17, 2019, the Company executed a Unit Purchase Agreement (the "Agreement") to acquire 60% of Drivrz Holdings, LLC (formerly MUSA Holdings, LLC), and its subsidiaries, including Drivrz Financial, LLC (formerly MUSA Auto Finance, LLC) ("DRIVRZ"). DRIVRZ is a new and used online vehicle leasing platform to operate in the United States.

Goodwill amounting to \$180,383 is attributable to DRIVRZ that has experience in online vehicle leasing platform, operations, customer development and additions of deferred tax liability pertaining to increase in value of intangible asset from recording it at fair value.

On April 28, 2021, the Company executed the Agreement to acquire additional 40% of DRIVRZ for consideration of USD\$5,500,000 in cash. At closing USD\$1,000,000 (\$1,240,050 CAD) and on October 1, 2021, US\$1,000,000 (\$1,274,330 CAD) was paid and the balance of US\$3,500,000 which is non-interest bearing is payable in installments by October 1, 2023. The investment is measured at fair value on initial recognition based on the fair value of the consideration given. The fair value of the debt of USD\$4,768,366 is determined using an effective interest rate of 13.80%, taking into account the rate that the Company would have obtained a similar debt. The fair value of consideration including any difference in the amount of non-controlling interest is recognized in the consolidated statement of shareholders equity, attributed to the parent, as acquisition of equity interest in subsidiary. On April 30, 2022, the balance of the outstanding loan amount of \$4,423,607 (US\$3,500,000) was paid in full. The Company recorded an interest accretion of \$465,348 for the year ended December 31, 2022, in the consolidated statements of loss.

**b) Acquisitions in 2020**

On October 28, 2020, the Company through its subsidiary DRIVRZ US LLC executed a Unit Purchase Agreement (the "Agreement") to acquire 60% of IntellaCar Solutions LLC ("IntellaCar"). IntellaCar has an online user-friendly platform that has an extensive video and brochure library of vehicles, enabling automotive dealers and consumers to review the model of the vehicle they are buying. The primary reason for the business combination was to add the consumer shopping cart and the showroom application that enhances the in-store buying process.

Goodwill has been provided in the transaction based on estimates of future earnings of IntellaCar, including synergies associated with the positioning of the combined company.

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**5. BUSINESS COMBINATION AND ACQUISITIONS (continued)**

**b) Acquisitions in 2020 (continued)**

In December 2020, after the acquisition on October 28, 2020, a disposition of interest in the controlled entity reduced the Company's interest to 39.1%. On July 1, 2021, an internal restructuring was done whereby the Company's interest in IntellaCar changed from 39.1% to 60%. On September 30, 2022, the Company acquired the remaining 40% interest from the minority shareholders and will pay the outstanding accounts payable to vendors and take possession of the software source codes developed by IntellaCar.

At September 30, 2023 and December 31, 2022, management reviewed the business model and determined that the value of the asset is not likely to be recoverable considering the product adoption in the past year. Hence all the intangible assets that were acquired amounting to a total of \$2,388,369 and goodwill of \$2,545,566 that was recognized has been impaired.

**6. INTEREST IN JOINT VENTURE**

In November 2018 the Company executed a Definitive Agreement to establish a partnership named D2D Automotive Auction ("D2DAA") through the formation of a new United States based limited liability corporation, owned equally by the Company and Bryan Hunt. D2DAA will operate an automotive online remarketing auction network in the U.S. that will involve direct consumer to dealer, as well as dealer to dealer, auction transactions. D2DAA is registered and based in Arkansas, United States.

The Company owns 50% of the voting shares and 50% of the net assets of D2DAA. During the prior years ending December 31, 2022, D2DAA incurred losses. For the nine months ended September 30, 2023, D2DAA incurred a loss of \$169,300 (Year Ended December 31, 2022 - \$2,437,077). The Company recognized losses up to the amount of investment balance of \$nil (Year Ended December 31, 2020 - \$287,665) and had foreign exchange losses of \$nil (Year Ended December 31, 2020 - \$19,442) resulting in an Interest in Joint Venture in Canadian dollar equivalent of \$nil at June 30, 2023, December 31, 2022 and December 31, 2021. Since the Company's share of losses in the joint venture exceeds the interest in that joint venture, the Company has discontinued recognizing any further share in the losses from the fiscal year ending December 31, 2021.

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**7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of funds held in Canadian and American financial institutions broken down as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Cash at Canadian bank on hand*	1,423,205	6,309,428
Cash at American bank on hand**	2,786,005	3,989,986
	4,209,210	10,299,414

\*Balance consists of \$1,305,000 (December 31, 2022 - \$6,225,000) held in guaranteed investment certificates (GICs) with Canadian financial institutions. The GICs mature on September 11, 2024, earning an annual interest rate of 4.60%. GICs are redeemable by the Company on demand and therefore are classified as Cash and cash equivalents.

\*\*Includes restricted cash of \$169,411 (December 31, 2022 - \$169,636) based on terms of the agreement with financial institutions.

**8. ACCOUNTS RECEIVABLE**

	September 30, 2023	December 31, 2022
	\$	\$
Accounts receivable	2,870,994	2,649,011
Less: Expected credit losses	(1,777,940)	(1,758,122)
	1,093,054	890,889

The expected credit losses of \$1,777,940 for the period ended September 30, 2023 (December 31, 2022 - \$1,758,122), was determined using an expected credit loss model.

**9. INVENTORY**

Vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. In determining the net realizable value for vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory.

During the three and nine months ended September 30, 2023, \$nil (three and nine months ended September 30, 2022 - \$413,001 and \$895,972, respectively) of vehicles were included in Cost of Goods Sold.

**10. OTHER CURRENT ASSETS**

The other current assets include prepaid expenses, HST receivable and the Employee retention credit as noted in the table.



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**10. OTHER CURRENT ASSETS (continued)**

	September 30, 2023	December 31, 2022
	\$	\$
Employee retention credit (note 18)	-	394,971
Prepaid expenses	233,717	295,421
HST receivable	98,311	143,471
	332,028	833,863

**11. LEASED VEHICLES**

Leased vehicles represent the lease contracts repurchased by the Company's subsidiary, Drivrz Financial from the financial institution based on the terms of the Forward Flow Purchase and Security Agreement and the lease contracts that are self-funded totaling \$1,743,857 at September 30, 2023 (December 31, 2022 - \$6,387,403), net of depreciation. At lease inception the Company determined whether each lease is a financing, or an operating lease and they are classified accordingly. The Company recorded an impairment loss of \$4,629,511 during the year ended December 31, 2022, for all leases for which the lease rental payments are in default and are considered as non-performing leases. No impairment loss was recognized for the nine months period ended September 30, 2023. All these leases are reported as Property and equipment (see Note 13).

Lease payments received from the leased contracts are recorded as lease vehicle income on a straight-line basis. The cost of the vehicle is depreciated on a straight-line basis over the remaining estimated economic life of the vehicle, and this is recorded in the cost of goods sold as lease vehicle depreciation. For the three and nine months ended September 30, 2023, the Company recorded lease vehicle income of \$81,832 and \$302,725, respectively (three and nine months ended September 30, 2022 - \$nil) and lease vehicle depreciation of \$23,518 and \$95,364 (three and nine months ended September 30, 2022 - \$nil), respectively.

In May 2023, the Company's subsidiary Drivrz Financial and the financial institution executed a Repurchase and Loss Reimbursement agreement for certain vehicle leases in the total amount of \$1,222,547 (US\$923,374.07). Upon execution of the agreement the financial institution transferred all interests in and title in each of the vehicles to Drivrz Financial. The total amount shall be paid in equal installments over a period of 24 months, plus 5% interest per annum on the outstanding balance as of the first day of the month. The fair value of the total amount of debt is determined using the effective interest rate of 5% per annum. The present value of the debt at September 30, 2023 is \$956,997 and is reported as current and long term debt of \$623,494 and \$333,503, respectively.

**12. INVESTMENT**

- a. On July 18, 2018, the Company signed a Letter of Intent with Zoom Blockchain Solutions Inc. ("Zoom") to establish a disruptive automotive-related blockchain and application technologies solution. Zoom was to develop a blockchain powered mobile application to buy and sell cars. As part of the transaction a deposit of \$nil (December 31, 2020 - US\$200,000 (\$254,640 CAD)) was made by the Company. The discussion between the Company and Zoom did not materialize and there was no further progress. On May 13, 2021, the deposit was exchanged for 10% secured convertible notes payable in Rego Payment Architectures Inc., a Delaware corporation, parent company of Zoom, with initial maturity date of October 31, 2022, further extended to October 31, 2023. See note 28(1). The investment was recorded at fair value of US\$380,253 (\$514,550 CAD) (December 31, 2022 - US\$326,831 (\$442,660 CAD)) including the amount of interest accrued as of September 30, 2023. An unrealized gain of \$35,465 and \$71,891 (September 30, 2022 – gain of \$231,046) was recorded for the three and nine months ended September 30, 2023, respectively.

The Letter of Intent is considered void and the investment in Rego Payment Architectures Inc. is a passive investment.

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**13. PROPERTY AND EQUIPMENT**

	Furniture fixtures and equipment	Computer equipment	Leasehold improvements	Software	Leased vehicles	Total
	\$	\$	\$	\$	\$	\$
<i>Cost</i>						
Balance at December 31, 2021	335,718	82,740	8,370	241,629	-	668,458
Additions	-	23,661	-	-	6,387,403	6,411,064
Impairment	-	-	-	-	(4,629,511)	(4,629,511)
Currency translation adjustment	5,742	1,824	339	4,838	70,865	83,608
Balance at December 31, 2022	341,460	108,225	8,709	246,467	1,828,757	2,533,619
Additions	-	-	-	-	463,132	463,132
Disposal	-	-	-	-	(437,246)	(437,246)
Impairment	-	-	-	-	-	-
Currency translation adjustment	(390)	(62)	(12)	(274)	12,648	11,910
Balance at September 30, 2023	341,070	108,163	8,697	246,193	1,867,291	2,571,414
<i>Accumulated depreciation</i>						
Balance at December 31, 2021	202,731	18,264	2,741	121,545	-	345,281
Depreciation	81,484	27,763	1,099	82,159	28,069	220,574
Balance at December 31, 2022	284,215	46,027	3,840	203,704	28,069	565,855
Depreciation	56,855	18,999	855	42,489	95,365	214,563
Balance at September 30, 2023	341,070	65,026	4,695	246,193	123,434	780,418
<i>Net book value</i>						
Balance at December 31, 2022	57,245	62,198	4,869	42,764	1,800,688	1,967,764
Balance at September 30, 2023	0	43,137	4,002	-	1,743,857	1,790,997

Depreciation for the nine months ended September 30, 2023, included \$4,241 reported as discontinued operations.

**14. INTANGIBLE ASSETS AND GOODWILL**

During the year ended December 31, 2016, the Company acquired a web platform for cash of \$1,391,532. Subsequently all the internal and external development costs related to the assets were capitalized. The web platform is used by the Company to develop its future software applications and to sell various services. Under the current amortization policy, the web platform and associated development additions are amortized on a straight-line basis over five years. During the year ended December 31, 2022, management reviewed the asset for indicators of impairment and recognized impairment loss of \$208,030.

On October 28, 2020, the Company through its subsidiary DRIVRZ US LLC acquired 60% of IntellaCar Solutions LLC and the intangible assets identified from the transaction have been capitalized. See Note 5. During the year ended December 31, 2022, management reviewed the amortizing intangible assets for indicators of impairment and recognized total impairment loss of \$2,388,369, which included the acquired software and the capitalized development costs noted below.

On December 21, 2020, the Company acquired a Software containing a codebase for a customer retailing interface that can be accessed from an automobile dealership's website that allows for the storage of dealer inventory and various development tooling for USD\$200,000 (\$254,640 CAD). This is reported under Intellectual property and is included in the impairment loss noted above.

Development cost

As at December 31, 2022, the Company has the following product technologies that were in the development stage:

- a) The Company's subsidiary IntellaCar, was developing a digital shopping application, DrivrzLane, that can be embedded on a dealer website or on an inventory listing site that lets customers select the right vehicle. The Company has impaired the capitalized total cost of \$1,193,484 on this project during the year ended December 31, 2022, as noted above.

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**14. INTANGIBLE ASSETS AND GOODWILL (continued)**

- b) The Company and its joint venture partner D2DAA was developing a consumer-focused platform named DrivrzXchange that is an inclusive multi-sided marketplace that allows buyers and sellers of all types to list and/or find vehicles. The Company has capitalized total cost of \$1,709,280 (December 31, 2021 - \$808,523) on this project as of December 31, 2022. An impairment loss of \$1,709,280 was recorded during the year ended December 31, 2022.
- c) The Company's subsidiary Drivrz Holdings LLC., was developing a modern alternative platform for lenders to both loan and lease vehicles and that would support multiple lenders with a single codebase. The Company has impaired the capitalized total cost of \$1,568,044 on this project during the year ended December 31, 2022.

The following table summarizes the movements in Intangible Assets:

	Web platform	Customer base	Intellectual property	Trademarks	License	Other	Development cost	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at December 31, 2021	2,156,594	84,088	1,561,323	810,505	450,000	283,860	2,289,929	7,636,299
Additions	-	-	-	-	-	-	2,151,410	2,151,410
Impairment of intangible assets	(2,156,594)	(84,721)	(1,608,092)	(831,793)	-	(291,316)	(4,505,143)	(9,477,659)
Discontinued operations	-	-	-	-	(450,000)	-	-	(450,000)
Currency translation adjustment	-	633	46,769	21,288	-	7,456	63,804	139,950
Balance at December 31, 2022	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	-	-
Balance at September 30, 2023	-	-	-	-	-	-	-	-
<i>Accumulated amortization</i>								
Balance at December 31, 2021	1,888,176	45,620	611,640	189,118	45,000	66,234	-	2,845,788
Amortization-continuing operations	76,378	8,472	258,647	83,179	-	29,132	-	455,808
Amortization-discontinued operations	-	-	-	-	89,516	-	-	89,516
Discontinued operations	-	-	-	-	(134,516)	-	-	(134,516)
Impairment of intangible assets	(1,964,554)	(54,092)	(921,776)	(272,297)	-	(95,366)	-	(3,308,085)
Currency translation adjustment	-	-	51,489	-	-	-	-	51,489
Balance at December 31, 2022	-	-	-	-	-	-	-	-
Amortization-continuing operations	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	-	-
Balance at September 30, 2023	-	-	-	-	-	-	-	-
<i>Net book value</i>								
Balance at December 31, 2022	-	-	-	-	-	-	-	-
Balance at September 30, 2023	-	-	-	-	-	-	-	-

Goodwill

Goodwill of \$172,593 (US\$133,183) arose in 2019, when the Company acquired Drivrz Holdings LLC ("DRIVRZ") and \$2,490,980 (US\$1,956,472) in 2020 from acquisition of IntellaCar Solutions LLC. (see Note 5) For impairment testing purposes, the goodwill is allocated to the respective cash-generating unit ("CGU"). The Company assessed goodwill for impairment based on its value in use. To determine value in use, the Company used the 2023 budget and 2024 to 2027 forecasts for each of the CGU's, using an estimated long-term revenue and variable cost growth rate of 10% to 50% and taking into account the working capital and capital investments to maintain the condition of the assets of each CGU. The resulting forecasted cash flows were discounted using pretax rates of 15% to 25% which reflects the time value of money and risk associated with the business. Based on this assessment, the goodwill attributed to the CGU was impaired at December 31, 2022.

During the year ended December 31, 2022, management evaluated the IntellaCar business strategy, and the recoverability of goodwill recognized on acquisition (See Note 5). When considering the business trends and the revenue generation from subscription, management concluded that the fair value of the reporting unit is less than the carrying value, thereby recognizing an impairment amounting to \$2,545,566.

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**14. INTANGIBLE ASSETS AND GOODWILL (continued)**

	DRVRZ	IntellaCar	TOTAL
	\$	\$	\$
Balance at December 31, 2020	169,569	2,490,980	2,660,549
Currency translation adjustment	(720)	(10,565)	(11,285)
Balance at December 31, 2021	168,849	2,480,415	2,649,264
Impairment of goodwill	(173,284)	(2,545,566)	(2,718,850)
Currency translation adjustment	4,435	65,151	69,586
Balance at December 31, 2022 & September 30, 2023	-	-	-

**15. RIGHT OF USE ASSETS**

	Canada	USA	Total
	\$	\$	\$
<i>Cost</i>			
Balance as at December 31, 2021	463,720	4,561,951	5,025,671
Additions	-	-	-
Deduction from disposal	(108,340)	-	(108,340)
Currency translation adjustment	-	311,615	311,615
Balance as at December 31, 2022	355,380	4,873,566	5,228,946
Additions	-	-	-
Deduction from disposal	-	-	-
Currency translation adjustment	-	(6,973)	(6,973)
Balance as at September 30, 2023	355,380	4,866,593	5,221,973
<i>Accumulated depreciation</i>			
Balance as at December 31, 2021	(250,773)	(1,454,429)	(1,705,202)
Depreciation	(118,944)	(607,456)	(726,400)
Deduction from disposal	53,827	-	53,827
Currency translation adjustment	-	(124,233)	(124,233)
Balance as at December 31, 2022	(315,890)	(2,186,118)	(2,502,008)
Depreciation	(39,490)	(471,205)	(510,695)
Balance as at September 30, 2023	(355,380)	(2,657,323)	(3,012,703)
<i>Net carrying amount</i>			
At December 31, 2022	39,490	2,687,448	2,726,938
At September 30, 2023	-	2,209,270	2,209,270

The Company leases property for its offices in Canada and the USA, which has been capitalized as a right-of-use asset under IFRS 16. See Note 17 for associated lease liability.

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**16. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

	September 30, 2023	December 31, 2022
	\$	\$
Trade payables	1,047,672	2,807,297
Accrued liabilities	12,005,911	2,097,641
	13,053,583	4,904,938

The accrued liabilities at September 30, 2023, includes an amount of \$9,392,214 for potential loss on lease contracts, See note 27 for additional information.

**17. LEASES**

The Company leases its office space in Canada, and the office space in USA. On adoption of IFRS 16, the Company recognized lease liabilities. The term of the Canadian leases is for 5 years with an option to renew, and the USA lease has a term of 9 years with an option to renew. The term of the Canadian lease expired on June 30, 2023, and was not renewed.

Leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statements of loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The liability pertaining to the lease of the facilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 15% for Canadian leases 5.75% for USA leases and the associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility.

In 2021 the Company leased a vehicle for a term of 2 years and office space in Canada for 3 years and the liability is discounted using an incremental borrowing rate of 5% and 15% respectively, the associated right-of-use asset was measured at the value of lease liability. This was disposed during the year ended December 31, 2022. The amount of accretion reported as discontinued operations for the nine months ended September 30, 2023, amounted to \$nil (September 30, 2022 - \$7,582).

The maturity analysis of contractual undiscounted cash flows, excluding likely lease term extensions, of the lease liabilities are disclosed in note 22 in the table under liquidity risk.

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**17. LEASES (continued)**

Company's lease liability for the facilities is as follows:

	Canada	USA	Total
	\$	\$	\$
Balance as at December 31, 2021	240,036	3,524,150	3,764,186
Deduction from disposal	(58,489)	-	(58,489)
Repayment of lease liability	(153,660)	(766,218)	(919,878)
Accretion expense	24,549	191,328	215,877
Currency translation adjustment	-	217,172	217,172
Balance as at December 31, 2022	52,436	3,166,432	3,218,868
Deduction from disposal	-	-	-
Repayment of lease liability	(54,541)	(604,003)	(658,544)
Accretion expense	2,105	125,545	127,650
Currency translation adjustment	-	(7,850)	(7,850)
Balance as at September 30, 2023	-	2,680,124	2,680,124
<i>Current portion</i>			
Balance as at December 31, 2022	52,436	650,470	702,906
Balance as at September 30, 2023	-	689,738	689,738
<i>Long-term portion</i>			
Balance as at December 31, 2022	-	2,515,962	2,515,962
Balance as at September 30, 2023	-	1,990,386	1,990,386

**18. GOVERNMENT STIMULUS SUBSIDIES**

The Company has participated in available stimulus subsidies offered by the Federal Governments of Canada and the United States to help offset the negative impact of the COVID-19 pandemic.

Canada Emergency Business Account ("CEBA")

The Company received on April 22, 2020, an amount of \$40,000 towards CEBA which is an interest-free loan to cover operating costs. The Company received an additional amount of \$20,000 on June 28, 2021, and the total loan balance on December 31, 2022, is \$60,000. Repaying the balance of the loan on or before December 31, 2023, will result in a loan forgiveness of \$20,000.

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**18. GOVERNMENT STIMULUS SUBSIDIES (continued)**

Employee Retention Credit ("ERC")

The Employee Retention Credit was established by the CARES Act. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds.

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Company qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. The American Rescue Plan Act, provided that the ERC would go through December 31, 2021; however, the ERC was terminated a quarter early by the enactment of the Infrastructure Investment and Jobs Act, at the end of the third calendar quarter of 2021.

During the year ended December 31, 2021, the Company claimed ERCs of US\$593,065 (\$741,094 CAD) and was reported as a reduction of Salaries and wages in the consolidated statement of Loss. The amount was expected to be settled and were disclosed within Other current assets in the Statement of Financial Position. Refer to Note 10. During the year ended December 31, 2022, the Company received US\$301,445 (\$365,312 CAD) and the balance remaining amount of US\$291,620 (\$394,649 CAD) was received during the nine months ended September 30, 2023.

**19. SHARE CAPITAL AND RESERVES**

**(a) Authorized:**

The Company is authorized to issue:

- an unlimited number of Common Shares with no stated par value

In April 2018, the Company consolidated the Company's issued share capital on a ratio of four (4) old common shares for each one (1) new post-consolidated common share (the "Share Consolidation"). All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation, unless otherwise noted.

**(b) Shares issued in Private Placements:**

On June 22, 2022, the Company closed on \$18,611,268 of the first tranche of a Private Placement financing, representing 62,037,560 units at a price of \$0.30 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, and each warrant shall entitle the holder thereof to acquire one common share at an exercise price of \$0.40 per warrant share for a period of five years following the date of issuance. The share issuance costs amounted to \$611,017. The share purchase warrants were allocated a value of \$6,213,115 based on the residual value method.

On July 15, 2022, the Company closed on \$5,195,040 of the second and final tranche of a Private Placement financing, representing 17,316,801 units at a price of \$0.30 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, and each warrant shall entitle the holder thereof to acquire one common share at an exercise of \$0.40 per warrant share for a period of five years following the date of issuance. The share purchase warrants were allocated a value of \$1,558,511 based on the residual value method.

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**19. SHARE CAPITAL AND RESERVES (continued)**

**(c) Shares for Debt and services:**

On June 22, 2022, the Company settled a loan received from D2D Auto Auction LLC on May 4, 2022, for \$4,534,092 (US\$3,519,711.36). The loan was settled through the issuance of 15,113,640 units. Each unit is comprised of one common share and one common share purchase warrants of the Company. The warrants can be exercised within a period of 60 months from the date of issuance at an exercise price of \$0.40 per share. The fair value of the 15,113,640 common shares on the date of settlement was \$2,871,592 (\$0.19 per share). The warrants were valued using the Black-Scholes calculator with risk free interest rate of 3.31%, volatility of 117.04% and expected life of 2.5 years, with a value of \$1,497,593. The total value of the units was determined to be \$4,369,185, thereby recognizing a gain of \$164,907 from the settlement of the debt.

**(d) Share Purchase Warrants**

On June 22, 2022, in connection with a bridge loan which was settled in 2022, the Company issued 15,113,640 warrants to purchase common shares to the lender. These warrants have an exercise price of \$0.40 and are exercisable for up to five years from the date of issuance. See Note 19(c).

Share purchase warrant transactions are summarized as follows:

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
	Number of share purchase warrants	Weighted average exercise price (\$)	Number of share purchase warrants	Weighted average exercise price (\$)
Balance, beginning of period	107,916,455	0.41	15,526,730	0.48
Warrants granted	-	-	94,468,001	0.40
Warrants exercised	-	-	(578,276)	(0.49)
Warrants cancelled	-	-	-	-
Warrants expired	(12,698,504)	(0.49)	(1,500,000)	(0.30)
<b>Balance, end of period</b>	<b>95,217,951</b>	<b>0.40</b>	<b>107,916,455</b>	<b>0.41</b>

A summary of the Company's share purchase warrants outstanding as at September 30, 2023 is presented below:

<b>Number of share purchase warrants (#)</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
750,000	0.30	July 16, 2024
77,151,200	0.40	June 22, 2027
17,316,801	0.40	July 15, 2027

The weighted average remaining contractual life of the share purchase warrants is 3.72 years.



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**19. SHARE CAPITAL AND RESERVES (continued)**

**(e) Share-based compensation**

**(i) Stock option plan**

The Company has adopted a stock option plan (the "Option Plan") for directors, officers, employees, and consultants of the Company. At the Company's Annual General Meeting held on September 14, 2022, the shareholders approved the 2022 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 59,443,717 common shares of the Company.

In October 2020, the Company granted 250,000 stock options to consultants, which vested over a period of two years and 3,750,000 stock options to officers, employees and consultants which vested immediately. The stock options were issued with an exercise price of \$0.220 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$688,615. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$1,354) and \$nil (2022 - \$5,810), respectively related to the vested portion of these options.

In January 2021, the Company granted 200,000 stock options to consultants, 68,000 vested immediately and 66,000 each vested over a period of one year and two years respectively. The stock options were issued with an exercise price of \$0.29 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$46,597. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$1,927) and \$168 (2022 - \$6,053), respectively related to the vested portion of these options.

In April 2021, the Company granted 400,000 stock options to consultants, 200,000 vested on October 16, 2021, and 200,000 vested on April 16, 2022. The stock options were issued with an exercise price of \$0.72 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$232,170. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$nil) and \$nil (2022 - \$33,713), respectively related to the vested portion of these options.

In June 2021, the Company granted 1,325,000 stock options to employees and consultants, 250,000 vested immediately, 300,000 vested on January 1, 2022, and January 1, 2023, respectively, 125,000 vested on June 30, 2022, and 350,000 vests on January 1, 2024. The stock options were issued with an exercise price of \$0.76 and \$0.79 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$804,275. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$50,354) and \$320 (2022 - \$150,324), respectively related to the vested portion of these options.

In October 2021, the Company granted 8,492,500 stock options to directors, consultants, and employees, 1,675,000 of which vested in two tranches on April 24, 2022, and October 26, 2022, and 6,817,500 vests in two tranches on October 26, 2022, and October 26, 2023. The stock options were issued with an exercise price of \$0.89 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$6,089,198. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$111,159 (2022 - \$617,984) and \$329,853 (2022 - \$1,801,974), respectively related to the vested portion of these options.

In February 2022, the Company granted 300,000 stock options to consultants, 25% vested immediately, 25% on May 1, 2022, 25% on August 1, 2022, and balance 25% on November 1, 2022. The stock options were issued with an exercise price of \$0.71 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$187,259. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$nil) and \$nil (2022 - \$102,271), respectively related to the vested portion of these options.

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**19. SHARE CAPITAL AND RESERVES (continued)**

**(e) Share-based compensation (continued)**

**(i) Stock option plan (continued)**

The total share-based compensation (for both stock options and Restricted share units) for the three and nine months ended September 30, 2023, is \$160,058 (2022 - \$932,927) and \$453,668 (2022 - \$4,882,720), respectively related to the vested portion of the stock options.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Grant date share price	\$0.71 - \$0.76	\$0.29 - \$0.89	\$0.16 - \$0.26
Risk-free interest rate	1.24% - 1.28%	0.39% - 0.97%	0.22% - 1.39%
Expected life of options	3 years	5 years	5 years
Expected annualized volatility	117%	115%	115%
Expected dividend yield	-	-	-
Black-Scholes value of each option	\$0.5369 - \$0.6242	\$0.233 - \$0.717	\$0.13 - \$0.21

Information with respect to the Company's stock options is presented below:

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
	Number of stock options	Weighted average exercise price (\$)	Number of stock options	Weighted average exercise price (\$)
Balance, beginning of period	10,937,193	0.4550	21,321,750	0.5200
Options issued	-	0.0000	400,000	0.7000
Options exercised	-	0.0000	(2,100,000)	0.1550
Options expired	(841,000)	0.3000	-	0.0000
Options cancelled/forfeited	(4,451,069)	0.5500	(8,684,557)	0.7000
Balance, end of period	5,645,125	0.4020	10,937,193	0.4550

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**19. SHARE CAPITAL AND RESERVES (continued)**

**(e) Share-based compensation (continued)**

**(i) Stock option plan (continued)**

A summary of the Company's stock options outstanding and exercisable as at September 30, 2023 is presented below:

Expiry date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
		years	\$		\$
July 10, 2024	1,100,000	0.78	0.10	1,100,000	0.10
February 12, 2025	500,000	1.37	0.22	500,000	0.22
February 25, 2025	400,000	1.40	0.16	400,000	0.16
February 27, 2025	300,000	1.41	0.21	300,000	0.21
October 20, 2025	500,000	2.06	0.22	500,000	0.22
October 27, 2025	845,000	2.08	0.22	845,000	0.22
January 4, 2026	132,000	2.26	0.29	132,000	0.29
April 16, 2026	400,000	2.54	0.72	400,000	0.72
October 26, 2026	1,468,125	3.07	0.89	971,562	0.89
	<b>5,645,125</b>	<b>1.97</b>	<b>0.40</b>	<b>5,148,562</b>	<b>0.36</b>

A summary of the Company's stock options outstanding and exercisable as at December 31, 2022 is presented below:

Expiry date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
		years	\$		\$
February 1, 2023	841,000	0.09	0.30	841,000	0.30
July 10, 2024	2,000,000	1.53	0.10	2,000,000	0.10
February 12, 2025	500,000	2.12	0.22	500,000	0.22
February 25, 2025	400,000	2.15	0.16	400,000	0.16
February 27, 2025	300,000	2.16	0.21	300,000	0.21
October 1, 2025	250,000	2.75	0.22	250,000	0.22
October 20, 2025	500,000	2.81	0.22	500,000	0.22
October 27, 2025	1,310,000	2.83	0.22	1,310,000	0.22
November 2, 2025	250,000	2.84	0.26	250,000	0.26
November 26, 2025	50,000	2.91	0.21	50,000	0.21
January 4, 2026	132,000	3.01	0.29	68,000	0.29
April 16, 2026	400,000	3.29	0.72	400,000	0.72
June 15, 2026	950,000	3.46	0.76	300,000	0.76
October 26, 2026	3,054,193	3.82	0.89	1,989,597	0.89
	<b>10,937,193</b>	<b>2.65</b>	<b>0.46</b>	<b>9,158,597</b>	<b>0.38</b>

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**19. SHARE CAPITAL AND RESERVES (continued)**

**(e) Share-based compensation (continued)**

**(ii) Restricted share unit plan**

At the Company's Annual General Meeting held on September 14, 2022, the shareholders approved the 2022 Restricted Share Unit Plan, reserving for issuance a maximum of 15,000,000 common shares of the Company. The 15,000,000 Restricted Share Units are included in the 59,443,717 common shares of the Incentive Stock Option Plan (20% Fixed Plan). As at September 30, 2023, 4,823,500 RSUs have been granted.

RSUs outstanding as at September 30, 2023:

	Number of RSUs
Balance as at December 31, 2021	3,525,000
Granted	2,250,000
Vested	(3,392,125)
Cancelled / forfeited	(1,159,375)
<b>Balance as at December 31, 2022</b>	<b>1,223,500</b>
Granted	4,116,667
Vested**	(516,667)
Cancelled / forfeited	-
<b>Balance as at September 30, 2023</b>	<b>4,823,500</b>

Vested\*\* - this does not include 1,000,000 RSU's that vested on September 14, 2023, but shares not issued.

On August 13, 2020, the Company issued 700,000 restricted share units to consultants of the Company at a price of \$0.22 per common share for service rendered. 50% of these restricted share units vested on August 13, 2021, and the remaining 50% vested on August 13, 2022. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$4,641) and \$nil (2022 - \$23,733), respectively related to the vested portion of these units.

On October 14, 2020, the Company issued 350,000 restricted share units to consultants of the Company at a price of \$0.195 per common share for service rendered. 50% of these restricted share units vested on October 14, 2021, and the remaining 50% vested on October 14, 2022. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$4,955) and \$nil (2022 - \$13,416), respectively related to the vested portion of these units.

On October 26, 2021, the Company issued 2,850,000 restricted share units to directors, consultants, and employees at a price of \$0.89 per common share and they vested over a two-year period. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$235,720) and \$nil (2022 - \$1,352,381), respectively related to the vested portion of these units.

On January 18, 2022, the Company issued 1,000,000 restricted share units to certain employees at a price of \$0.72 per common share for service rendered and they vested immediately. During the three and nine months period ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$nil) and \$nil (2022 - \$720,000), respectively related to the vested portion of these units.

On February 9, 2022, the Company issued 1,250,000 restricted share units to consultants at a price of \$0.68 per common share, 750,000 restricted share units vested immediately with the balance vested on January 1, 2023. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$nil (2022 - \$15,992) and \$nil (2022 - \$673,047), respectively related to the vested portion of these units.

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**19. SHARE CAPITAL AND RESERVES (continued)**

**(e) Share-based compensation (continued)**

**(ii) Restricted share unit plan (continued)**

On March 6, 2023, the Company issued 516,667 restricted share units to employees at a price of \$0.045 per common share, 166,667 restricted share units vested immediately with the balance to vest over a period of three years. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$3,421 (2022 - \$nil) and \$15,235 (2022 - \$nil), respectively related to the vested portion of these units.

On March 8, 2023, the Company issued 3,600,000 restricted share units to directors and employees at a price of \$0.06 per common share, that vest over a period of three years. During the three and nine months ended September 30, 2023, included in the share-based compensation is \$45,478 (2022 - \$nil) and \$108,092 (2022 - \$nil), respectively related to the vested portion of these units.

**20. NON-CONTROLLING INTERESTS**

	Drivrz Holdings LLC	IntellaCar Solutions LLC	DrivrzFinancial Inc.	2744915 Ontario Inc.	Total
NCI in subsidiary at September 30, 2023	5.40%	0.00%	0.00%	0.00%	
	\$	\$	\$	\$	\$
At December 31, 2021	122,485	598,951	(42,786)	(27,052)	651,598
Change in NCI	-	1,763,268	167,025	49,253	1,979,546
Foreign currency translation	44,367	(36,903)	-	-	7,464
Share of loss	(762,593)	(2,325,316)	(124,239)	(22,201)	(3,234,349)
At December 31, 2022	(595,741)	-	-	-	(595,741)
At December 31, 2022	(595,741)	-	-	-	(595,741)
Foreign currency translation	(3,335)	-	-	-	(3,335)
Share of loss	(726,440)	-	-	-	(726,440)
At September 30, 2023	(1,325,516)	-	-	-	(1,325,516)

**21. RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2023, the Company paid expenses \$nil (2022 - \$22,770) and charged subscription fee of \$nil (2022 - \$5,390) to companies controlled by the former CEO.

The Company and its joint venture partner D2DAA are developing a consumer-focused platform named DrivrzXchange that is an inclusive multi-sided marketplace that allows buyers and sellers of all types to list and/or find vehicles. The Company has capitalized total cost of \$nil (December 31, 2022 - \$1,709,280) on this project as of September 30, 2023. The total capitalized cost of \$1,709,280 was recorded as impairment loss for the year ended December 31, 2022. See Note 14. As at September 30, 2023, accounts receivable from D2DAA are \$483,962 (December 31, 2022 - \$355,493).

**Shareholder loans and transactions**

- a) As at September 30, 2023, the due to related parties loan balance of \$33,800 (December 31, 2022 - \$33,860), consisted of funds received from shareholders for working capital. This loan was interest bearing at 9% per annum due on demand.

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**21. RELATED PARTY TRANSACTIONS (continued)**

- b) On May 4, 2022, a loan agreement was executed between the Company and D2D Auto Auction LLC for a total amount of \$4,534,092 (US\$3,519,711.36) at an interest rate of 3.75% per annum. On June 22, 2022, the principal amount of the loan was repaid in full by issue of 15,113,640 units in the Company. See Note 19(c). An additional advance of \$328,106 (US\$254,622) was provided by D2D Auto Auction LLC for operating expenses. This was repaid in full during the year ended December 31, 2022.
- c) The Company and a shareholder (former CEO) entered into loan agreements for total amount of \$4,324,013 advanced to the Company, that is due on demand and at an interest rate of 2.25% per annum. During the year ended December 31, 2022, the shareholder advanced total of \$1,697,905, for operating expenses. On June 22, 2022, upon closing of the first tranche of the private placement, the Company paid the shareholder \$2,000,000 as per the agreement and agreed to pay the remaining principal loan balance of \$2,324,013 after a period of 18 months. This is measured at fair value on initial recognition. The fair value is determined using an effective interest rate of 13.80%, taking into account the rate that the Company would have obtained a similar debt. In December 2022, an amount of \$633,150 was adjusted to this loan balance being the consideration for sale of a business unit. See Note 26. The present value of the debt at September 30, 2023 is \$1,772,402 (December 31, 2022 is \$1,614,529), and interest accretion of \$158,014 for the nine months ended September 30, 2023 is recorded in the consolidated statements of loss.

**Compensation of key management personnel of the Company**

Key management personnel include those people who have authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Board of Directors, corporate officers, including the Chief Executive Officer, the President, the Chief Financial Officer, Chief Operating Officer and the Chief Technology Officer.

Key management personnel compensation for the nine months ended September 30, 2023, and 2022 was as follows:

i.	Chief Executive Officer (previously COO)	\$182,153 (2022 -\$174,104)
ii.	Chief Technology Officer	\$131,220 (2022 - \$131,220)
iii.	Chief Financial Officer	\$112,500 (2022- \$112,500)
iv.	Chief Executive Officer (former)	\$nil (2022- \$40,000)
v.	President (former)	\$nil (2022 - \$174,803)
vi.	Share based compensation	\$143,349 (2022 - \$1,606,939)

The above amounts in i to v totaling \$294,653 (2022 - \$501,407) are included in Professional fees and \$131,220 (2022 - \$131,220) is included in Salaries and wages in the Statement of loss. The Company incurred professional fees of \$605,565 (June 30, 2022 - \$nil) for services rendered by an entity controlled by a shareholder. At September 30, 2023, the total amount payable to key management personnel of the Company and an entity controlled by a shareholder amounted to \$777,400 (December 31, 2022 - \$169,300) and recorded in Accounts payable and accrued liabilities.

**22. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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**22. FINANCIAL INSTRUMENTS (continued)**

**Credit risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its accounts receivable and other receivables. The nature of the Company's customer base minimizes the risk exposure by limiting the counterparties with which financial transactions are entered.

The aging of the accounts receivable is as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Current to 30 days past due	97,875	586,801
Past due (31-60 days)	27,503	66,086
Past due (> 61 days)	967,676	238,002
	1,093,054	890,889

The Company maintains minimal cash reserves on hand. Adequate liquidity to meet all current payment obligations and future planned capital expenditures are provided by investments from the shareholders.

**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's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. This is provided through cash injections by the shareholder when needed. The Company also manages liquidity risk by continuously monitoring actual and budgeted expenses.

At September 30, 2023, all the Company's accounts payables and accrued liabilities had contractual terms of less than one year.

	Contractual cash flows				
	Less than 1 year	1-3 years	4-5 years	After 5 years	
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	13,053,583	13,053,583	-	-	-
Lease payments (undiscounted)	2,969,592	826,321	1,704,288	438,984	-
Government assistance	60,000	60,000	-	-	-
Debt - current & noncurrent (undiscounted)	2,852,014	2,516,226	335,788	-	-
	18,935,190	16,456,130	2,040,076	438,984	-

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The Company has limited exposure to any market risk.

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**22. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that interest rate risk is low as it has no investments in market instruments. The Company does not have interest rate risk related to its credit facilities, since all credit is done through shareholder loans and short-term loans with set interest rates. The Company's leasing activity is subject to the interest rate risk from the swift movement in interest rates that can affect the funding partners and the availability of credit.

**Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to the currency risk because of components of revenue and costs being denominated in currencies other than Canadian dollar, primarily the United States dollar. The Company holds cash and accounts receivable, accounts payable and accrued liabilities in currencies other than the Canadian dollar, primarily the United States dollar.

For the nine months ended September 30, 2023, if the Canadian dollar had strengthened 5% against the United States dollar, with all other variables held constant, net loss for the period would have been \$672,160 lower (September 30, 2022 - \$651,172). Conversely, if the Canadian dollar had weakened 5% against the United States dollar with all other variables held constant, there would be an equal, and opposite impact, on net loss.

**Fair value**

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value of cash, accounts receivable, accounts payables and accrued liabilities all approximate their carrying values due to their short-term nature. Cash and accounts receivable are measured at amortized cost using Level 1 and Level 2 inputs, respectively. The accounts payable and accrued liabilities, loan, current and long-term lease obligation, are measured at amortized cost and classified as Level 2. Investments are measured as Level 3.

**23. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and continue to develop and market its software applications. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements. The Company is dependent on financing from shareholders to develop its technology and fund its activities. There were no changes in the Company's approach to capital management during the nine months period ended September 30, 2023.



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**24. LEGAL CLAIMS**

In August 2018, the Company was served a Notice of Civil Claim in the Superior Court of British Columbia by Advanced Media Solutions Limited ("AMSL"), a Company incorporated pursuant to the laws of the British Virgin Islands. AMSL is seeking payment of USD\$450,000. The Company disputes the facts set out in the Civil Claim and has filed a Response to Civil Claim, as well as a Counterclaim to the Plaintiff and other individuals and entities involved for damages. The Company believes the claim is without merit. The Company has assessed the claims totaling \$450,000 as highly unlikely to be successful. A trial date has been scheduled from June 17 to June 28, 2024.

*Frunzi v. MUSA Auto Holdings, LLC, Texas District Court, Dallas County, Case # DC-18-14445:*

Mr. Frunzi's employment was terminated for cause on September 5, 2018. Mr. Frunzi subsequently asserted a claim for breach of his employment agreement. He seeks money damages in the amount of the severance payment specified in his employment agreement, which is an amount comprised of 18 months' base salary, his prior year's bonus, and health insurance premiums for 18 months. He also seeks the value of the profit interest units that vested under his grant agreement before his employment was terminated. In addition to money damages, Mr. Frunzi seeks a declaratory judgment that MUSA breached his employment agreement and an accounting that can be used to determine the value of the profit interest units that vested before the termination. The amount in controversy is about \$427,500, not including the value of any profit interest units claimed by Frunzi. The case was expected to proceed to trial in Dallas County on March 30, 2021, which was postponed to August 9, 2022. The court did not hold a trial and ordered the parties to arbitration. MUSA Auto Holdings, LLC brought a counterclaim against Frunzi for breaching his employment agreement because it required that he surrender to us all the Company material when he was terminated. He conceded in his deposition that he retained sensitive information. The Company cannot prove damages to any degree of certainty but has pled for injunctive relief to seek outside counsel fees.

*Jeff Schagren v. Drivrz Financial LLC, 116<sup>th</sup> Judicial District Court, Dallas County, Texas, Case # DC-21-14150:*

Mr. Schagren filed suit against Drivrz Financial LLC asserting a claim for breach of contract. Mr. Schagren alleges that Drivrz Financial LLC failed to pay certain severance obligations allegedly owed to him. He is seeking recovery of approximately \$200,000. Drivrz Financial LLC denies the allegations. The case was set for trial on December 5, 2022. On May 13, 2022, the parties reached an out of court settlement, which resulted in full and complete mutual releases of all claims asserted or that could have been asserted between the parties. The case has been dismissed.

*D&P Holdings, Inc. v. PowerBand Solutions US Inc. and MUSA Auto Finance, LLC, Case No. 2021-82453, in the 295<sup>th</sup> Judicial District Court, Harris County, Texas.* D&P Holdings, Inc. sued the Company and certain of its affiliates asserting a claim for breach of contract. Plaintiff alleges that the company breached an agreement that appointed Plaintiff as the exclusive provider of certain Finance and Insurance products to be offered to the Company's customers. The Company's denies Plaintiff's allegations and intends to vigorously defend against the claims asserted.

On February 16, 2023, the Company's former chief compliance officer, filed a charge of discrimination with the Dallas office of the Equal Employment Opportunity Commission, alleging discrimination on the basis of sex and age and is claiming severance, compensation, benefits and equity that is contractually entitled. The chief compliance officer was terminated for cause in April 2022. The Company intends to vigorously defend the claim asserted.

In June 2023, PowerBand Solutions and a third party were served with a Statement of Claim in the amount of \$495,392 relating to outstanding professional fees for the period of approximately 2012 through 2015. PowerBand Solutions did not retain the claimant during this period, denies that it is obligated to pay these fees, and intends to defend the claim.

Management considers the above claims to be unjustified and the probability that they require settlement to be remote. No amounts have been accrued because of these claims since a reliable estimate cannot currently be made.

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**25. SEGMENTED REPORTING**

Operating segments are components of an entity that engage in business activities from which they earned revenues and incur expenses related to the operations for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. During the period ended September 30, 2023, the Chief Financial Officer served in the function of the Chief Operating Decision Maker (CODM). The Chief Financial Officer is responsible for allocating resources and assessing the performance of the following segments: Canadian operations and US operations.

Transactions between reportable segments are accounted for in accordance with the accounting policies described in the summary of significant accounting policies.

The Company's CODM measures the performance of each operating segment based on operating profit (loss). The segmented information is set out in the following tables:

Nine months ended September 30, 2023				Nine months ended September 30, 2022		
	Canada \$	USA \$	Total \$	Canada \$	USA \$	Total \$
Revenue						
Vehicle and auction sales	-	-	-	155,313	-	155,313
Lease vehicle income	-	302,725	302,725	-	-	-
Lease originations and servicing revenue	-	1,588,915	1,588,915	-	10,883,277	10,883,277
Subscription revenue	-	-	-	6,398	-	6,398
	-	1,891,640	1,891,640	161,711	10,883,277	11,044,988

  

Nine months ended September 30, 2023				Nine months ended September 30, 2022		
	Canada \$	USA \$	Total \$	Canada \$	USA \$	Total \$
Continuing operations						
Operating loss before other income	2,907,925	14,032,088	16,940,013	8,835,316	4,846,241	13,681,557
Other (income) expense	(219,463)	(579,496)	(798,959)	(830,781)	1,754,020	923,239
Discontinued operations (income) expense	-	(9,396)	(9,396)	275,130	5,814,445	6,089,575
	2,688,462	13,443,196	16,131,658	8,279,665	12,414,706	20,694,371

  

As At September 30, 2023				As At December 31, 2022		
	Canada \$	USA \$	Total \$	Canada \$	USA \$	Total \$
Segment assets	2,656,226	7,566,046	10,222,272	7,437,974	9,796,847	17,234,821
Segment liabilities	2,362,909	16,226,310	18,589,219	2,556,076	7,308,523	9,864,599

**26. DISCONTINUED OPERATIONS**

On December 21, 2022, the Company's 51% owned subsidiary 2744915 Ontario Inc. and the 49% owned shareholder Geodan Investments Ltd, executed an agreement to dissolve the operations. The results of the discontinued operations, which have been included in the consolidated statement of loss for the three and nine months period ended September 30, 2023, were as follows:

	Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2022
Expenses	-	-	4,027	45,309
<b>Loss on discontinued operations</b>	-	-	<b>(4,027)</b>	<b>(45,309)</b>

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**26. DISCONTINUED OPERATIONS (continued)**

During the period ended September 30, 2023, 2744915 Ontario Inc., contributed \$nil (September 30, 2022 - \$48,303) to the Company's net operating cash flows, and received \$nil (September 30, 2022 - \$60,000) in respect of financing activities.

On December 29, 2022, the Company executed a share purchase agreement to sell its 73.62% shareholdings in DRIVRZ Financial Inc. for purchase consideration of \$633,150. The purchase consideration was adjusted against debt due to shareholders. See Note 21. The results of the discontinued operations, which have been included in the consolidated statement of loss for the three and nine months period ended September 30, 2023, were as follows:

	Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2022
Revenue	-	-	431,168	781,506
Cost of goods sold	-	-	413,001	755,719
Gross profit	-	-	18,167	25,786
Expenses	-	-	84,491	255,607
<b>Income (Loss) on discontinued operations</b>	-	-	<b>(66,324)</b>	<b>(229,821)</b>

During the period ended September 30, 2023, DRIVRZ Financial Inc., contributed \$nil (September 30, 2022 - \$231,818) to the Company's net operating cash flows, and received \$nil (September 30, 2022 - \$63,450) in respect of financing activities.

A gain of \$455,525 arose on the disposal of DRIVRZ Financial Inc., being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and was reported as at December 31, 2022.

On February 28, 2023, the Company discontinued the operations of its wholly owned subsidiary, IntellaCar Solutions LLC (re-branded as DrivrzLane). Management had reviewed the business strategy and the technology of DrivrzLane and made the decision that its product offering did not fit in with the future strategic direction of PowerBand's e-commerce platform to lease and finance new and used vehicles. The results of the discontinued operations, which have been included in the consolidated statement of loss for the three and nine months period ended September 30, 2023, were as follows:

	Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2022
Revenue	-	46,444	134,788	523,859
Cost of goods sold	-	6,928	5,594	61,425
Gross profit	-	39,516	129,194	462,434
Expenses	-	30,120	115,168	6,276,879
<b>Income (Loss) on discontinued operations</b>	-	<b>9,396</b>	<b>14,026</b>	<b>(5,814,445)</b>

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**26. DISCONTINUED OPERATIONS (continued)**

During the period ended September 30, 2023, IntellaCar Solutions LLC, contributed \$29,509 (September 30, 2022 - \$677,377) to the Company's net operating cash flows, paid \$nil (September 30, 2022 - \$409,009) in respect of investing activities, and received \$nil (September 30, 2022 - \$949,236) in respect of financing activities.

**27. CONTINGENT LIABILITY**

One of the financial institutions to whom the lease contracts are sold has requested that the Company repurchase additional lease contracts that the financial institution has identified that fall within the repurchase clause of the Forward Flow Purchase and Security Agreement. At September 30, 2023, the amount of additional lease contracts under negotiation has been estimated at \$6,777,497 (December 31, 2022 - \$6,926,644). Management has completed a review of these contracts that they are in negotiations with the financial institution and recorded a contingent liability for \$2,316,273 and a provision for expected loss for \$4,461,224.

During the period ended September 30, 2023, management completed a review of certain additional lease contracts and has identified \$4,311,514 of lease contracts that fall within the repurchase clause of the Forward Flow Purchase and Security Agreement. This amount has been accounted for as Provision for expected loss in the statement of loss. At September 30, 2023, the total amount of potential loss included in Accounts payable and accrued liabilities amounted to \$9,392,214, which includes a provision for claw back for the amount of \$578,410.

The Company believes that the maximum exposure is not representative of the actual potential loss exposure.

**28. SUBSEQUENT EVENTS**

Subsequent to the period ended September 30, 2023, the following corporate activities occurred:

1. The Company's investment in convertible note payable in Rego Payment Architectures Inc. matured on October 31, 2023. Management is in discussion with Rego Payment Architectures to receive the amount of deposit and interest therein. See note 12(a).