# POWERBAND SOLUTIONS INC.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# THREE MONTHS ENDED
# MARCH 31, 2024

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## Introduction

The following Management Discussion & Analysis ("MD&A") of PowerBand Solutions Inc. (the "Company", "PowerBand") has been prepared and written to comply with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2023 and 2022, and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2024, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at June 21, 2024, unless otherwise indicated.

The unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2024, and 2023, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of PowerBand's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

## Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

| Forward-looking statements | Assumptions | Risk factors |
|---|---|---|
| The Company will be required to raise additional capital in order to meet its ongoing operating expenses and complete its planned business development activities for the twelve-month period ending March 31, 2025. | The operating and business development activities of the Company for the twelve-month period ending March 31, 2025, and the costs associated therewith, will be consistent with PowerBand's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favorable to PowerBand. | Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; reductions in revenue, interest rate and exchange rate fluctuations; changes in economic conditions. |
| Management's outlook regarding future trends. | Financing will be available for PowerBand's business development and operating activities; the financing market will be receptive to the Company's technological cloud-based software solution. | Industry-wide deterioration of the automotive industry; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions. |
| Sensitivity analysis of financial instruments. | Based on management's knowledge and experience of the financial markets, the Company believes that there would be no material adverse changes to its results for the period ended March 31, 2025 as a result of a change in the foreign currency exchange rates or interest rates. | Changes in debt and equity markets; interest rate and exchange rate fluctuations. |

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond PowerBand's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause PowerBand actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new informationor future events or otherwise, except as may be required by law. If the Company does update one ormore forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## Non-IFRS Measures

This MD&A includes a few measures that are not prescribed by IFRS and as such may not be comparable to similar measures presented by other companies. Management believes that these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support business activities.

Our definition of EBITDA and Adjusted EBITDA described in the section "Reconciliation and Definition of Non-IFRS Measures" will likely differ from that used by other companies and therefore comparability may be limited. These non-IFRS measures should be read in conjunction with our annual audited consolidated financial statements and the related notes thereto as at and for the year ended December 31, 2023, and the unaudited condensed interim consolidated financial statements for the three months period ended March 31, 2024. Readers should not place undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures.

## Description of Business

PowerBand Solutions Inc. (the "Company" or "PowerBand") (formerly Marquis Ventures Inc.) was incorporated under the Business Corporations Act (British Columbia) on September 29, 2009, and is domiciled in Suite 300, 1100, Burloak Drive, Burlington, Ontario, Canada L7L 6B2. The registered office is located at 745 Thurlow Street, Suite 2400, Vancouver, B.C. V6E 0C5.

In February 2018, the Company closed its Qualifying Transaction under TSX Venture Exchange ("Exchange") Policy 2.4 – Capital Pool Companies and changed its name to PowerBand Solutions Inc.

Effective February 9, 2018, the Company's shares traded on the Exchange under the symbol "PBX".

PowerBand has commercialized a Fintech automotive-based software platform that specializes in auto leasing and is the operator of Drivrz Financial, a financing marketplace enabling lenders and consumers to finance vehicles in the United States. The distinctive competitive advantage of the Drivrz Financial platform is that it offers a unique leasing alternative for used vehicles through its exclusive technology and innovative lease structure.

Following a comprehensive review of the business strategy, operations, and product lines in the second half of 2022, the Company focused its operations on the lease origination and servicing business of Drivrz Financial.

A summary of the business units operated by the Company is provided below:

**Drivrz Financial Holdings LLC (DrivrzFinancial):**
In July 2019 the Company acquired a 60% interest in Drivrz Financial Holdings, LLC (formerly MUSA Holdings, LLC), a new and used vehicle leasing platform in the U.S, through its subsidiary PowerBand Solutions US Inc. In June 2020, 9% interest in PowerBand Solutions US Inc. was disposed to third parties thereby reducing the Company's interest in PowerBand Solutions US Inc. to 91%. This in turn reduced the Company's interest in Drivrz Financial Holdings, LLC from 60% to 54.60%.

In April 2021, the Company acquired an additional 40% interest in Drivrz Financial Holdings, LLC. The Company now holds 94.60% interest in Drivrz Financial Holdings, LLC.

Following a strategic review of PowerBand's business units, the Company made the decision to allocate all growth capital and resources to DrivrzFinancial, as management believes it represents the highest near-to-medium-term return to shareholders.

**D2D Auto Auction LLC (DrivrzXchange):**
In November 2018 the Company entered into a 50/50 joint venture agreement with Bryan Hunt to operate D2D Auto Auctions, LLC ("D2D"), an online auction, remarketing platform in the U.S. that had been branded as DrivrzXchange. DrivrzXchange features identity verification for all parties, payment handling and processing, transportation, inspection, financing as well as mechanical and detailing services. By combining all of these features into a single platform, private sellers are able to elect to sell their vehicle via auction, fixed price or instant cash offer with no hassle, safely and securely. Although the majority of the development work for the DrivrzXchange platform has been completed, management has made the decision to place the platform into a maintenance mode. As a result, the Company has recorded an impairment loss of $1,709,280 for all the development costs incurred. D2D was dissolved on May 22, 2024.

**IntellaCar Solutions LLC (DrivrzLane):**
In October 2020, the Company acquired a 60% interest in IntellaCar Solutions LLC, ("IntellaCar"). On September 30, 2022, the Company entered into a Settlement Agreement and Release of Claims with John Canales and Bruce Polkes, the former Chairman and CEO, respectively, and was transferred their 30% and 10% interest in IntellaCar. The Company now has a 100% interest in IntellaCar. IntellaCar was rebranded as DrivrzLane and offered an extensive video and brochure library of vehicles, enabling users to review the vehicle details. Management reviewed the business strategy and the technology and made the decision to discontinue operations of DrivrzLane, effective February 28, 2023. As a result, during the annual period ended December 31, 2022, an impairment loss was booked for the goodwill recorded on acquisition, amounting to $2,545,566, the intangible assets acquired for $1,194,885 and for the capitalized cost of product development amounting to $1,193,484. IntellaCar is in the process of being dissolved.

## Outlook

In the first half of 2024, the Company made several management and Board changes. The Company also took steps to recapitalize the Company. These events will have an impact on the outlook for the Company.

On April 4, 2024, the Company announced the return of its former MUSA Auto Finance founder and CEO Jeff A. Morgan, as CEO and Director of the Company. Subsequent changes to the Board of Directors included the resignation of Darrin Swenson and the appointment of Steven Lee, a former Director, and Kris Gaerlan as Directors of the Company. In addition, Bryan Hunt stepped down as Chairman of the Board and remained as a Director. Jeff Morgan was appointed Chairman of the Board. Additional management changes were announced with Xia Zhang, the original software architect of the used vehicle leasing and loan origination platform for MUSA Auto Finance, appointed as Chief Technology Officer, Blake Kirk as Chief Operating Officer and Sean Severin as Chief Information Officer.

From a financial perspective, on April 26, 2024, the Company closed the first tranche of CAD $1,040,000 of a previously announced $2 million private placement.

Management is focused on re-establishing the Company as a leader in the used vehicle leasing industry in the United States. Discussions are continuing with the Financial Institution that provided the majority of the Company's historical funding lines. The Company is also meeting with other financial companies to secure funding lines to generate lease originations. In addition, the Company is looking to expand the portfolio of leases that it provides servicing for and is exploring the establishment of a "Lender Remarketing" division that will provide lenders nationwide with a more profitable solution to remarketing repossessions and end-of-term leases. The Company is also developing innovative hybrid finance alternatives that it intends to introduce to the leasing market in the future.

## Operational Highlights for 2023

a) On March 22, 2024, the Company's subsidiary, Drivrz Financial sold six lease vehicles that were capitalized and included in Property and Equipment for gross proceeds of US$381,406 to a Missouri limited liability company, in which one of the board members of the Company has a substantial interest.

b) On April 4, 2024, the Company announced the return of its former MUSA Auto Finance founder and CEO Jeff Morgan, as CEO of the Company and will also be serving on the Board of Directors of the Company. Previous director and long-term investor Steven Lee also agreed to return to the Board of Directors.

## Selected Annual Financial Information

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2023, 2022 and 2021 for continuing operations.

| | **Year ended December 31, 2023** | **Year ended December 31, 2022** | **Year ended December 31, 2021** |
|---|---|---|---|
| Revenue | $2,867,351 | $12,255,161 | $23,936,988 |
| Net loss from continuing operations | $(21,773,865) | $(24,802,073) | $(16,190,628) |
| Net loss per share (basic and diluted) | $(0.070) | $(0.086) | $(0.085) |
| | As at December 31, 2023 | As at December 31, 2022 | As at December 31, 2021 |
| Total assets | $6,864,855 | $17,234,821 | $20,410,982 |
| Total non-current liabilities | $1,955,189 | $2,515,962 | $4,812,279 |
| Distributions or cash dividends declared | - | - | - |

The net loss for the year ended December 31, 2023, consisted primarily of (i) Advertising and promotion expenses of 222,928 (ii) Share based compensation of $508,360 (iii) salaries and wages of $4,781,940; (iv) professional fees of $3,226,579; (v) depreciation of right of use assets of $669,633 (vi) office expenses of $415,038; (vii) regulatory fees of $145,961; (viii) travel of $40,112; (ix) unrealized gain of $122,229; (x) provision for potential loss on lease contracts of $11,892,406; and (xi) accretion of $375,561, offset by revenue of $2,867,351.

The net loss for the year ended December 31, 2022, consisted primarily of (i) Advertising and promotion expenses of 1,681,991 (ii) Share based compensation of $4,348,268 (iii) salaries and wages of $8,035,307; (iv) professional fees of $4,037,869; (v) amortization of intangible assets of $279,613; (vi) depreciation of right of use assets of $698,008 (vii) office expenses of $1,074,454; (viii) regulatory fees of $321,768; (ix) investor relations fees of $148,203 (x) travel of $410,445; (xi) unrealized gain of $247,205; (xii) impairment of intangible assets of $3,781,205; (xiii) impairment of goodwill of $173,284 (xiv) impairment of tangible assets of $4,629,511 and (xv) accretion of $960,827, offset by revenue of $12,255,161.

The net loss for the year ended December 31, 2021, consisted primarily of (i) Advertising and promotion expenses of 2,187,884 (ii) Share based compensation of $2,469,810 (iii) salaries and wages of $7,759,475; (iv) professional fees of $5,230,171; (v) amortization of intangible assets of $785,656; (vi) depreciation of right of use assets of $678,058 (vii) office expenses of $1,196,794; (viii) regulatory fees of $300,727; (ix) investor relations fees of $459,133 (x) travel of $382,616; (xi) unrealized loss of 3,676,881 and (xii) accretion of $633,544, offset by revenue of $23,936,988.

## Discussion of Operations

Three-months period ended March 31, 2024, and 2023:

For the three-months period ended March 31, 2024, PowerBand generated revenue of $627,332. Revenues were derived primarily from servicing income of the lease portfolio ($551,484), and monthly rental income from leased vehicles ($75,484).

| | Three months ended March 31, 2024 | | | Three months ended March 31, 2023 | | |
|---|---|---|---|---|---|---|
| | **Canada** $ | **USA** $ | **Total** $ | **Canada** $ | **USA** $ | **Total** $ |
| Revenue | | | | | | |
| Lease vehicle income | - | 75,848 | 75,848 | - | 112,369 | 112,369 |
| Lease originations and servicing revenue | - | 551,484 | 551,484 | - | 726,324 | 726,324 |
| | - | 627,332 | 627,332 | - | 838,693 | 838,693 |

The revenue from US operations is primarily from the servicing of the lease portfolio. There has been no lease originations during the period due to challenges from the availability of credit supply from the Company's funding partners. The servicing revenue that is based on the average net book value for each month has been decreasing due to a decrease in the value of the portfolio. The US operations also derive revenue from the monthly lease rental payment on the self-funded and repurchased vehicle leases. The cost of the lease revenue represents the depreciation on these leased vehicles calculated on a straight-line basis over the estimated economic life of the vehicle.

There was no revenue from the Canadian operations for the three-months period ended March 31, 2024, and 2023.

The gross profit margin has been relatively consistent at 53.7% and 58.6%, for the three-months period ended March 31, 2024 and 2023, respectively.

For the three-months period ended March 31, 2024, PowerBand incurred a net loss from continuing operations of $1,504,648 with basic and diluted loss per share of $0.005 as compared to net loss of $3,259,361 and basic and diluted loss per share of $0.010 for the three-months period ended March 31, 2023, a decrease in net loss of $1,754,713 as described below. The primary expenses that contributed to the net loss are included in the table below:

| | Three months ended | | |
|---|---|---|---|
| | **March 31, 2024** | **March 31, 2023** | **Increase/ (Decrease)** |
| | $ | $ | $ |
| **Net loss from continuing operations** | 1,504,648 | 3,259,361 | (1,754,713) |
| **Expenses** | | | |
| Salaries and wages | 886,133 | 2,009,031 | (1,122,898) |
| Professional fees | 619,854 | 797,427 | (177,573) |
| Share based compensation | 5,971 | 130,293 | (124,322) |
| Advertising and promotion | 18,582 | 149,552 | (130,970) |
| Office and sundry expenses | 47,890 | 129,518 | (81,628) |
| Travel expense | 8,218 | 29,762 | (21,544) |
| Accretion | - | 93,722 | (93,722) |
| | - | - | - |

- Salaries and wages decreased by $1,122,898 from $2,009,031 for the three-months period ended March 31, 2023, to $886,133 for the three-months period ended March 31, 2024. Most of these costs were incurred in the US operations and the decrease is related to the decrease in headcounts.

- Professional fees decreased by $177,573 from $797,427 for the three-months period ended March 31, 2023, to $619,854 for the three-months period ended March 31, 2024. Professional fees include consulting fees, legal fees, accounting, and audit fees. The decrease is due to the decrease in consulting fees.

- Share based compensation decreased from $130,293 for the three-months period ended March 31, 2023, to $5,971 for the three-months period ended March 31, 2024, a decrease of $124,322 for expenses related to stock option grants, representing the amortization of fair market value of incentive stock options granted using the Black-Scholes valuation model and expenses related to restricted share units. No share-based compensation was granted for the three-months period ended March 31, 2024.

- Advertising and promotion expenses totaled $18,582 for the three-months period ended March 31, 2024, as compared to $149,552 for the three-months period ended March 31, 2023, a decrease of $130,970. The decrease is directly related to the decrease in lease origination revenue and the market awareness program.

- Office and sundry expenses decreased from $129,518 for the three-months period ended March 31, 2023, to $47,890 for the three-months period ended March 31, 2024, a decrease of $81,628 resulting from efficient cost management.

- Travel expenses decreased from $29,762 for the three-months period ended March 31, 2023, to $8,218 for the three-months period ended March 31, 2024, a decrease of $21,544 in relation to client visits, management, sales and business development meetings in the United States.

- Accretion expense primarily relates to the amortization of interest expense on long-term debt. The accretion expense decreased by $93,722 for the three-months period ended March 31, 2024.

## Summary of Quarterly Results

The summary of financial results for the first quarter of 2024 and for the seven preceding quarters are noted below.

| | 2024/2023 | | | |
|---|---|---|---|---|
| | Q1 | Q4 | Q3 | Q2 |
| Revenue ($) | 627,332 | 975,711 | 555,398 | 497,549 |
| Net Loss ($) | 1,504,648 | 5,632,811 | 1,847,089 | 11,034,604 |
| Net Loss per share (basic and diluted) | 0.005 | 0.016 | 0.009 | 0.035 |

| | 2023/2022 | | | |
|---|---|---|---|---|
| | Q1 | Q4 | Q3 | Q2 |
| Revenue ($) | 838,693 | 2,054,728 | 2,066,250 | 4,135,066 |
| Net Loss ($) | 3,259,361 | 9,844,576 | 3,676,859 | 10,737,296 |
| Net Loss per share (basic and diluted) | 0.01 | 0.039 | 0.01 | 0.03 |

Revenue from the first quarter of 2023 is primarily from servicing income of the lease portfolio, together with the early termination and late fee charges.

Most of the Company's revenue is generated from the Drivrz Financial lease origination and servicing platform. The Company's quarterly revenue has generally trended downwards over the past several quarters due to a decrease in the number of lease originations. The decrease in revenue from Q4 2022 is from the impact of availability of credit facility, thereby reducing lease counts.

The net loss for each of the last eight quarters has varied and the lowest being from Q3/2023 as the lease counts decreased and the Company made efforts to reduce costs. See section "Discussion of Operations"- Three months ended March 31, 2024, and 2023, for discussion on Q1 2024 net loss.

## Liquidity and Capital Resources

The Company's primary source of cash flow is revenue from lease origination and servicing in Drivrz Financial, proceeds from the private placement offering of common shares of the Company, proceeds from the exercise of warrants and share-based compensation and loans from related parties. The Company's approach to managing liquidity is to ensure, to the extent possible, that there is always sufficient liquidity to meet liabilities as they come due. The Company does this by continuously monitoring cash flow and actual operating expenses compared to budget.

The Company had $1,934,209 in cash and cash equivalents on hand, at March 31, 2024, compared to $1,937,182 as at December 31, 2023.

Cash used by operating activities was $464,730 for the three-months period ended March 31, 2024, as compared to cash provided by operating activity of $2,055,832 for the three-months period ended March 31, 2023. Operating activities for the three-months period ended March 31, 2024, were affected by the decrease in net loss for the quarter and the change in accounts payable and accrued liabilities as compared to quarter ended March 31, 2023.

Net cash provided by investing activities totaled $625,323 for the three-months period ended March 31, 2024, as compared to cash used in investing activities of $464,814 for the three-months period ended March 31, 2023. For the three-months period ended March 31, 2024, cash was provided by proceeds from disposition of leased vehicle asset. For the three-months period ended March 31, 2023, cash was used for the purchase of lease vehicle assets.

Net cash used in financing activities was $198,387 for the three-months period ended March 31, 2024, as compared to $229,109 for the three-months period ended March 31, 2023. For the three-months period ended March 31, 2024, the Company used cash to repay debts and for the three-months period ended March 31, 2023, for payment of lease liability.

The Company has limited operating revenues and therefore must utilize its funds obtained from the equity financing and other financing transactions to maintain its capacity to meet ongoing business development and operating activities.

The Company's contractual obligation is the lease commitments primarily for office premises for Drivrz Financial expiring in March 2027 was terminated in the first quarter of 2024. The capital expenditure for the development projects has been terminated and funds are conserved for the operating capital and to meet the Company's planned growth.

As of March 31, 2024, the Company had 299,348,796 common shares issued and outstanding.

As of March 31, 2024, the Company had current liabilities comprised of the following:

- accounts payable and accrued liabilities in the amount of $3,645,987,
- Provision for potential loss on lease contracts of $12,516,806
- seller reserve provision of $32,486,
- current portion of lease liability of $705,391,
- current portion of debt of $2,510,493 and
- government assistance of $60,000, and

In addition, at March 31, 2024 the Company had long-term lease liability of $1,811,687.

As of March 31, 2024, and December 31, 2023, the Company had net current assets of (deficit) ($17,168,643) (current assets less current liabilities) and ($15,934,887) respectively. The working capital deficit has increased for the three-months period ended March 31, 2024, due to an increase in accounts payable and from sale of lease vehicle assets for the period.

## Reconciliation and Definition of Non-IFRS Measures

Following is a description and calculation of certain measures used by management:

**Earnings before Interest, Taxation, Depreciation and Amortization ("EBITDA")**
EBITDA is a measure used by management to evaluate operational performance. It is also a common measure that is reported on and used by investors in determining a company's ability to incur and service debt as well as a valuation methodology. Management believes EBITDA enhances the information provided in the Financial Statements. EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance. EBITDA should not be used as an exclusive measure of cash flows because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the consolidated statements of cash flows.

The following chart reflects the calculation of EBITDA:

| | Three months ended | | Years ended | |
|---|---|---|---|---|
| | March 31, 2024 | March 31, 2023 | December 31, 2023 | December 31, 2022 |
| | $ | $ | $ | $ |
| **Net (loss) income** | (1,504,648) | (3,259,361) | (21,773,865) | (24,802,073) |
| Add: Interest | 15,712 | 10,538 | 98,786 | 132,544 |
| Add: Depreciation and amortization | 4,803 | 225,472 | 789,718 | 1,161,965 |
| Add: Accretion | - | 93,722 | 375,561 | 960,827 |
| **EBITDA** | (1,484,133) | (2,929,629) | (20,509,800) | (22,546,737) |

EBITDA loss for the three-months period ended March 31, 2024, is lower as compared to the three-months period ended March 31, 2023, and the total operating expenses has significantly decreased for the three-months period ended March 31, 2024 compared to three-months period ended March 31, 2023 which are mostly described above in the comparison of operating results for the three-months period ended March 31, 2024, and March 31, 2023.

**Adjusted EBITDA**
Adjusted EBITDA, defined as Earnings before Interest, Taxation, Depreciation, Amortization, Share Based Compensation expense, Provision for expected credit loss, foreign exchange loss, and loss from debt settlement and shares issued and other one-time costs is an additional measure used by management to evaluate cash flows and the Company's ability to service debt. Adjusted EBITDA is a non-IFRS measure and should not be considered an alternative to operating income or net income (loss) in measuring the Company's performance.

The following chart reflects the Company's calculation of Adjusted EBITDA:

| | Three months ended | | Years ended | |
|---|---|---|---|---|
| | March 31, 2024 | March 31, 2023 | December 31, 2023 | December 31, 2022 |
| | $ | $ | $ | $ |
| **EBITDA as above** | (1,484,133) | (2,929,629) | (20,509,800) | (22,546,737) |
| Add: Share based compensation | 5,971 | 130,293 | 508,360 | 4,348,268 |
| Add: Foreign exchange loss (gain) | (68,943) | 352 | 4,109 | 70,185 |
| Add: Provision for expected loss | - | - | 12,750,313 | 506,574 |
| Add: Impairment of intangible assets | - | - | - | 3,781,205 |
| Add: Unrealized loss (gain) | 151,951 | 3,716 | (122,229) | (247,205) |
| **Adjusted EBITDA** | **(1,395,154)** | **(2,795,268)** | **(7,369,247)** | **(14,087,710)** |

The adjusted EBITDA has decreased for the three months ended March 31, 2024, and for the year ended December 31, 2023. There were no lease originations for the three months period ended March 31, 2024. Management believes adjusted EBITDA as a more appropriate key performance indicator to measure as the two major items that flow through the income statement are human capital costs and amortization and depreciation (non-cash), and therefore better reflects the Company's performance.

## Off-Balance-Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## 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.

<u>IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28")</u>

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.

## Capital risk management

The Company manages and adjusts its capital structure based on available funds in order to support its business development efforts, completing and implementing its strategic partnerships, developing a customer support infrastructure, enhancing its software development efforts, and for general and administrative expenditures. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As of March 31, 2024, the capital structure of the Company consisted of common shares, common share purchase warrants, stock options and restricted share units.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## Financial Instruments

The 50% ownership of D2D Auto Auction LLC (D2DAA) and the controlling interests in Drivrz Financial Holdings, LLC (formerly MUSA Holdings, LLC) in the United States exposes the Company to risks associated with fluctuations in foreign currency exchange rates. To date, the Company has not used derivative financial instruments to manage this risk.

## Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company is not successful in generating revenue through the addition of customers to the PowerBand Platform, or the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. In the future,the Company expects to generate cash flow primarily from operating activities.

As of March 31, 2024, the Company had a net current assets deficit of $17,168,643 (current assets less current liabilities).

## Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable from customers that utilize its PowerBand Platform service offering. The Company has agreements with financial institutions for credit facilities and is dependent on these credit facilities for lease originations. The availability of the credit facilities can have a significant effect on the lease origination operations and negatively impact the cash flow of the Company.

## Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate significantly due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, prices and foreign exchange rates. Management believes the risk of loss related to market risk to be remote.

## Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

## Fair value hierarchy

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 receivables, 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 obligations are measured at amortized cost and classified as Level 2. Investments are measured as Level 3.

## Related Party Transactions

(a) 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 three-months ended March 31, 2024, and 2023 was as follows:

| | | |
|---|---|---|
| i. | Chief Executive Officer (previously COO) | $60,840 (2023 - $61,062) |
| ii. | Chief Technology Officer | $43,740 (2023 - $43,740) |
| iii. | Chief Financial Officer | $37,500 (2023 - $37,500) |
| iv. | Share based compensation | $nil (2023 - $28,202) |

The above amounts in i and iii totaling $98,340 (2023 - $98,562) are included in Professional fees and $43,740 (2023 - $43,740) is included in Salaries and wages in the Statement of loss. The Company incurred professional fees of $nil (2023 - $202,890) for services rendered by an entity controlled by a shareholder.

At March 31, 2024, the total amount payable to key management personnel of the Company and an entity controlled by a shareholder amounted to $372,625 (December 31, 2023 - $363,715) and recorded in Accounts payable and accrued liabilities.

(b) Loans from Shareholders, Officers and Directors

(i) As at March 31, 2024, the due to related parties loan balance of $33,875 (December 31, 2023 - $33,065), consisted of funds received from shareholders for working capital. This loan was interest bearing at 9% per annum due on demand.

(ii) 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 16(b) of the financial statements.

(iii) On June 2, 2022, the Company and a shareholder (former CEO) entered into loan agreements for a total amount of $4,324,013 advanced to the Company. 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. The loan 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. The present value of the debt at March 31, 2024 is $1,865,300 (December 31, 2023 is $1,861,960), and interest accretion of $nil (year ended December 31, 2023 - $209,641) for the three-months ended March 31, 2024 is recorded in the consolidated statements of loss. The Company is in discussion for the repayment of this debt.

(c) Transactions with Related Parties

On March 22,2024, the Company's subsidiary, Drivrz Financial sold six lease vehicles that were capitalized and included in Property and Equipment for gross proceeds of US$381,406 (CD$514,364) to a Missouri limited liability company, in which one of the board members of the Company has substantial interest.

The Company and its joint venture partner D2DAA were 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 December 31, 2023. The total capitalized cost of $1,709,280 was recorded as impairment loss for the year ended December 31, 2022. As at March 31, 2024, accounts receivable from D2DAA are $nil (December 31, 2023 - $490,629) and a provision for expected credit loss is recorded in the statements of loss.

## Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2024 the Company had 299,348,796 (December 31, 2023 – 299,348,796) common shares issued and outstanding. As at March 31, 2024 there were 95,217,951 (December 31, 2023 – 95,217,951) warrants outstanding which entitle the holders to purchase one common share of the Company. Stock options outstanding as of March 31, 2024, were 5,627,000 (December 31, 2023 – 5,627,000) which entitle the holders to purchase one common share of the Company. The number of exercisable stock options as at March 31, 2024 was 5,627,000.

As of the date of this MD&A, the capital structure of the Company is as follows:

| | |
|---|---|
| Common shares at March 31, 2024 | 299,348,796 |
| Shares issued from first and second tranche of private placement | 146,466,664 |
| Shares issued from vesting of RSUs | 50,000 |
| | |
| Common shares at June 21, 2024 | 445,865,460 |
| | |
| Warrants outstanding at March 31, 2024 | 95,217,951 |
| | |
| Warrants outstanding at June 21, 2024 | 95,217,951 |
| | |
| Stock options outstanding at March 31, 2024 | 5,627,000 |
| Options granted | 6,000,000 |
| | |
| Stock options outstanding at June 21, 2024 | 11,627,000 |
| | |
| Restricted share units at March 31, 2024 | 2,756,832 |
| Shares issued from vesting of RSUs | (50,000) |
| RSUs granted | 6,800,000 |
| Unvested RSUs cancelled | (100,000) |
| | |
| Restricted share units at June 21, 2024 | 9,406,832 |
| | |
| Total Issued and outstanding common shares at June 21, 2024 | 562,117,243 |

## Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the timeperiods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investorsshould be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Risks and Uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which is the development and implementation of automotive industry-related software. These risk factors, although not exhaustive, could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Company.

Liquidity Concerns and Future Financings

The Company will require significant capital and operating expenditures in connection with the development of its software platform and the operation of its auction and finance portal services. There can be no assurance that the Company will be successful in obtaining the required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to generate positive operating cash flow, or to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans or reduce or terminate some or all of its activities.

Dilution Risk

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or securities convertible into common shares. The constating documents of the Company will allow it to issue, among other things, an unlimited number of common shares for such consideration and on such terms and conditions as may be established by the directors of the Company, in many cases, without the approval of shareholders. The size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of the common shares will have on the price of the common shares cannot be predicted at this time. Any transaction involving the issue of previously authorized but unissued common shares or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

Profitability

There can be no assurance that the Company and its subsidiaries will earn profits in the future or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue business development and marketing activities. The Company's operating expenses, and capital expenditure may increase in subsequent years in relation to the engagement of consultants, partners and personnel to advance the Company's product offering. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Foreign Exchange

The Company will be subject to foreign exchange risks relating to the relative value of the Canadian dollar as it expands its product offering to other jurisdictions, namely the United States. Presently, the Company supports its operations by raising financing in Canadian dollars and incurs expenditures in both Canadian and United States dollars.

Competition

PowerBand competes with many other automotive software development companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire a sufficient number of customers to achieve profitability, recruit or retain qualified employees or acquire the capital necessary to fund its operations. The Company's inability to compete with other automotive software development companies for these resources would have a material adverse effect on the Company's results of operation and business.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of PowerBand may have a conflict of interest in negotiating and concluding terms respecting such participation.

Principal Shareholder with Controlling Interest

Any proposed private placement offering could result in a certain number of principal shareholders owning a significant number of common shares of the Company. As a result, these shareholders could have influence over the management and affairs of the Company. This concentration of ownership could also have an effect upon any possible corporate activities associated with a change of control.

Dividends

To date, PowerBand has not paid any dividends on its outstanding securities and does not expect to do so in the foreseeable future. Any decision to pay dividends on the common shares will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions.

Litigation

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. To date there has been no communication from AMSL regarding the matter going to trial.

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 submitted to non-binding arbitration and the arbitrator found that Frunzi's conduct was grounds to terminate him under common law but that there was not "cause" to terminate Frunzi under the employment agreement. The arbitrator found that Frunzi is entitled to USD $427,500 in back compensation and $102,539 in attorneys' fees. The arbitrator declined to award Frunzi any amount under the now terminated profits interest plan. The Company believes that arbitrator's decision is erroneous, and that the arbitrator exceeded his authority in rendering the decision as stated. The Company intends to seek a de novo review of the arbitrator's decision in State court.

*D&P Holdings, Inc. v. PowerBand Solutions US Inc. and MUSA Auto Finance, LLC*, Case No. 2021-82453, in the 295th 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. On June 6, 2024, a Settlement and Release Agreement was executed by the parties and the lawsuit has been withdrawn.

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 ("EEOC"), 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 EEOC rejected the charge of discrimination. Subsequently the Chief Compliance Officer filed for arbitration, seeking severance benefits alleged are due under the employment agreement. The Company intends to vigorously defend the claim asserted.

In November 2020, the Company was served a Notice of Civil Claim in the Superior Court of British Columbia by Miller Thomson LLP. Miller Thomson is seeking payment of $69,127.29 for legal fees. The Company disputes the facts set out in the Civil Claim.

In June 2023, PowerBand Solutions and a third party were served with a Statement of Claim in the amount of $495,392 from Denton's Canada LLP., 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 as a result of these claims since a reliable estimate cannot currently be made.

Foreign Operations

As of March 31, 2024, the Company only had operations that were located in Canada and the United States.

The Company may also decide in the future to commence operations in another country. As such, the Company may be exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction.

## Contingent liability and Provision

One of the financial institutions to whom the lease contracts were 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 December 31, 2022, an amount of $6,926,644 was reported as contingent liability. It was not possible at that stage to predict the outcome or provide a reasonable estimate of the amount of potential losses, therefore, no provision was recognized at December 31, 2022. Management has completed a review of these lease contracts and booked an estimated provision for potential loss for the year ended December 31, 2023, in the Consolidated Statements of loss.

During the year ended December 31, 2023, management completed a review of certain additional lease contracts and has increased the estimated provision for potential loss, the total amount of estimated provision for potential loss for the year ended December 31, 2023, amounted to $11,892,406. At March 31, 2024, the total estimated amount of provision for potential loss on lease contracts is $12,516,806 (December 31, 2023 - $12,217,512), which includes a provision for claw back for the amount of $577,701 (December 31, 2023 - $563,887).

The Company believes that the estimated loss provision may not be representative of the actual potential loss exposure. Subsequent to year-end, the Company received a communication from the financial institution verifying that there are no current legal actions by the financial institution against the Company and agreeing to coordinate with the Company to enforce claims against dealers, as applicable. The Company believes that since the total estimated amount of potential loss is an accounting estimate, the actual loss could differ based on future occurrences. Revisions to this accounting estimate will be recognized in the period in which the estimate is revised.

## Subsequent Events

Subsequent to the period ended March 31, 2024, the following corporate activities occurred:

1. The Company's investment in a convertible note payable in Rego Payment Architectures Inc. matured on October 31, 2023. Management is in discussions with Rego Payment Architectures Inc. to receive the amount of deposit and interest therein. See note 10 of the consolidated financial statements.

2. On April 4, 2024, the Company announced the return of its former MUSA Auto Finance founder and CEO Jeff A. Morgan, as CEO of the Company and will also be serving on the Board of Directors of the Company. Previous director and long-term investor Steven Lee also agreed to return to the Board of Directors.

3. On April 26, 2024, the Company closed on $1,040,000 of the first tranche of a Private Placement financing, representing 69,333,332 shares at a price of $0.015 per share.

4. Subsequent to the fiscal quarter ended March 31, 2024, the Company granted 6,000,000 Stock options to consultants of the Company. The Stock options have an exercise price of CAD $0.14, vest immediately and have a maturity date of June 13, 2027. The Company also granted 6,800,000 Restricted Share Units ("RSU's) to employees and consultants. 3,600,000 of the RSU's vested immediately, with the common shares to be issued following the expiry of the Company's current Blackout Period. 500,000 of the RSU's vest over three years, 200,000 RSU's vest over two years, and 2,500,000 RSU's vest in one year."

5. On May 14, 2024, the Company announced the appointment of Kris Gaerlan to the Board of Directors.

6. The Company dissolved D2DAA on May 22, 2024. D2DAA was established as a Joint Venture in Arkansas, United States. The Joint Venture has incurred losses over the past years.

7. On June 21, 2024, the Company closed on $1,157,000 of the second and final tranche of a Private Placement financing representing 77,133,332 shares at a price of $0.015 per share.

Additional Information

For additional information, please see www.powerbandsolutions.com.