POWERBAND SOLUTIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
DECEMBER 31, 2020

P 1-866-768-7653 F 289-816-1477
3385 Harvester Road, Suite 225 Burlington, Ontario L7N 3N2
powerbandsolutions.com

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, 2020 and 2019, 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 year ended December 31, 2020 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April 28, 2021, unless otherwise indicated.

The annual audited consolidated financial statements of the Company for the years ended December 31, 2020 and 2019, 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.

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
For fiscal 2021, the Company's operating expenses are estimated to be approximately $800,000 per month for recurring corporate operating costs	The Company has anticipated all material costs; the operating activities of the Company for the twelve-month period ending December 31, 2021, and the costs associated therewith, will be consistent with PowerBand's current expectations.	Unforeseen costs to the Company will arise; any particular operating costs increase or decrease from the date of the estimation; changes in economic conditions.
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 December 31, 2021.	The operating and business development activities of the Company for the twelve-month period ending December 31, 2021, 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 favourable 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 year ended December 31, 2021 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 arelikely 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.

Description of Business

PowerBand Solutions Inc. (the "Company") (formerly Marquis Ventures Inc.) was incorporated under the Business Corporations Act (British Columbia) on September 29, 2009, and is domiciled in Suite 225, 3385 Harvester Road, Ontario, Canada L7N 3N2. The registered office is located at Suite 1700, 666 Burrard Street, Vancouver, BC, Canada V6C 2X8.

PowerBand is a technology company that has developed (i) an online trading platform, (ii) a standardized appraisal system, (iii) a market intelligence report, (iv) a desking tool, and (v) a finance portal for utilization in the automotive industry.

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".

In November 2018 the Company entered into a 50/50 joint venture agreement with Bryan Hunt, who operate D2D Auto Auctions, an online auction, remarketing platform in the U.S.

In July 2019 the Company acquired a 60% interest in MUSA Holdings, LLC, a new and used vehicle leasing platform in the U.S.

In October 2020, the Company acquired 60% interest in IntellaCar Solutions LLC, that offers an extensive video and brochure library of vehicles, enabling users to review the vehicle details. This technology is used by car dealerships in the United States.

The significant assets owned by PowerBand are web based vehicle auction, remarketing, leasing and finance service and software programs for automotive dealers and consumers. The software is hosted in Microsoft's Azure cloud and offers a number of distinct but interconnected product offerings to its clients. PowerBand's core product is responsive and has published an IOS and Android mobile application for use by its customers. A summary of the product offerings that PowerBand provides is listed below.

Online Auction Formats

PowerBand offers two distinct online formats within its auction portal: LiveNet and MarketPlace.

LiveNet is a real-time, targeted, mobile online auction. LiveNet allows dealers to quickly and efficiently launch vehicle "auction calls" which are comprised of condition reports, photos, disclosures and third- party history reports to various networks of qualified buyers. These buyers are then encouraged to participate in a short duration auction (*via* smartphone) that results in a verified real time valuation of the described vehicle at that moment of time, and often the sale of the vehicle from the seller to the buyer.

MarketPlace, a more familiar style of online auction, allows dealers, rental and leasing companies to post used vehicles for sale to qualified wholesale buyers. This auction type features fixed length auctions, reserve bids, make an offer and buy it now functionality, and is complementary to the LiveNet auction type. MarketPlace targets dealers looking to discover new inventory for their used lots and/or dispose of excess inventory. Both auctions provide a system generated bill of sale and has arbitration policies in place to ensure the buyer's confidence.

Standardized Appraisal System

The Standardized Appraisal System is PowerBand's proprietary electronic used vehicle appraisal system. The appraisal system ensures full compliance with the regulations and vehicle disclosure rules set forth by governing bodies (such as the *Motor Vehicle Dealers Act* of Ontario) and can be customized to meet the applicable compliance requirements of any province or state. The appraisal system can be utilized on any portable device and does not depend on network coverage so is available for use anywhere.

Market Intelligence

Market Intelligence provides automotive dealerships with retail market price valuation from over two hundred and fifty thousand vehicles in the database. This product allows dealerships to customize their search within a geographic region for local market pricing on targeted vehicles identified down to the trim level of the vehicle. The analytical tools and reporting functions produce graphs, tables, maps and reports to summarize the information and enable dealers to make quick decisions based on the information presented.

Desking Tool

PowerBand's desking tool, referred to as PowerDesk, is a robust, user-friendly platform that allows a dealer to quickly and accurately prepare payment scenarios for their customers, including all manufacturer supported incentives, rebates and programs. It also allows for the industry's easiest finance to lease comparison. PowerBand's integration partners allow for one-time entry of the deal, reducing time and user error. After adding any Financial & Insurance products, the deal is then pushed through to the partner's Finance Portal and in many cases, right through to the dealer's Dealer Management System.

Finance Portal

PowerBand has developed a state-of-the-art Finance Portal, an electronic indirect lending platform that facilitates loan originations on any asset type. Target audiences for this software are new and independent automotive dealers, lenders, and original equipment manufacturers ("OEM"). The Finance Portal is a hosted service that is virtual and adaptable and can be integrated with LiveNet and Marketplace to offer banks, and other vehicle financial institutions, direct loan origination sources.

New and Used Vehicle Leasing Portal

MUSA Holdings, LLC's product offering streamlines leasing for consumers and dealers, as well as incorporates first-of-its-kind technology to navigate the underwriting, funding, and delivery process, allowing MUSA to complete the entire customer experience in minutes.

IntellaCar

IntellaCar is the customer-facing sales solution that motivates customers to buy. IntellaCar gives dealership salespeople the tools and techniques needed to close the sale for both new and used vehicles, including all features, specifications, photos, brochures, technology videos, Carfax, etc. Using a native iPad app in-store, or desktop version, IntellaCar will create a personal web page for each customer with vehicles of interest so they can research and select the best one for them. It creates the customer experience that drives sales.

Drivrzlane

DRIVRZLane is the Digital Retailing solution that enables customers to purchase a vehicle online with a few easy clicks. Embedding our software on a dealer's website or on an inventory listing site lets customers select the right vehicle and click "Buy Now" to start the transaction. We present the lowest "penny-perfect" monthly payments for finance or lease, including F&I products, rebates, taxes and fees based on programs from hundreds of lenders.

Outlook

As the use of the Internet to conduct everyday activities and commerce has become ubiquitous in today's society, and as the rise in importance of the Millennial generation (demographic following Generation Y, typically defined as those born between early 1980's and early 2000's) who crave empowerment, the traditional business model of how new and used vehicles are purchased and sold has quickly become outdated. Customers want to spend 30 minutes at a dealership, not 5 hours. Within this background and context PowerBand's management believes that the used vehicle industry is increasingly incorporating digital technologies in both the retail and wholesale markets. Management believes that this industry trend represents a strong demand for the services and technologies that PowerBand provides and the Company is well-positioned to capitalize on this opportunity.

Operational Highlights

1. On January 21, 2020 the Company closed on $400,000 of a Private Placement financing, representing the second tranche of a $500,000 Private Placement financing that was first announcedon December 20, 2019. The first tranche of $100,000 closed on December 21, 2019. In total 7,692,307 units (the "Units") were issued at a price of $0.065 per Unit for total proceeds of $500,000.The Private Placement was fully subscribed. Each Unit is comprised of one (1) common share of the Company ("Common Share") and one half of one (1/2) common share purchase warrant (each wholeshare purchase warrant, a "Warrant") of the Company. Each Warrant entitles the holder to receive,for no additional consideration, one (1) Common Share, subject to adjustments, at an exercise price of $0.15 for a period of 24 months from the date of issuance.

2. On January 29, 2020 Kelly Jennings, the Company's CEO and largest shareholder entered into a voluntary escrow agreement with Computershare that states that he will not sell his shares in the Company for at least 12 months, until January 29, 2021. This commitment is in addition to any escrow imposed by the TSX Venture Exchange.

3. On February 4, 2020 the Company entered into an agreement with RouteOne LLC in which thousands of automotive dealerships in the United States and Canada will have access to PowerBand's cloud-based sales and leasing platform, allowing consumers and dealers to easily transact the trading and leasing of vehicles.

4. On February 20, 2020 the Company announced that its Driveaway consumer app for iOS devices had been approved for publication by Apple and was available for download in the US App Store. The Driveaway app introduces a new way for consumers to easily sell vehicles from their smart phone, tablet, or computer. Built by PowerBand, the launch of the Driveaway app in the UnitedStates is being piloted by D2D Auto Auctions LLC ("D2D"). D2D is co-owned by PowerBand and Arkansas-based financier Bryan Hunt, Director of J.B Hunt Transport.

5. On February 24, 2020 DRIVRZ Financial Inc. was incorporated as a subsidiary of PowerBand Solutions Inc. DRIVRZ Financial Inc. was established to become the leasing and financing divisionfor its Canadian customers

6. On April 20, 2020 the Company announced that D2D Auto Auction LLC ("D2D") successfullylaunched and completed "virtual" auctions in the United States. The Company also announced that D2D's Driveaway app, which allows consumers and auto dealers to upload vehicles for auction and participate in virtual auctions using their smart phones, was made available in the United States for Android devices, as well as iOS.

7. On May 4, 2020 the Company entered into an agreement with Source Digital to launch an innovative digital advertising campaign to offer its virtual-transaction platform to consumers and automotive dealers across the United States.

8. At the Annual General Meeting, held on July 29, 2020, the Company's shareholders approved the 2020 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 22,435,693 common shares of the Company. The 2020 Restricted Share Unit Plan was also approved, reserving for issuance a maximum of 2,000,000 common shares of the Company.

9. In July 2020, the Company's US leasing platform begins lease origination after a capital injection of US$6M from an investor group. The Company reached an agreement with a federally chartered US depositary Financial Institution to secure an initial US$300 million in financing for vehicle leasing through its US leasing division, MUSA Auto Finance LLC.

10. In July 2020, the Company's Canadian subsidiary, DRIVRZ Financial Inc., entered into a Share Purchase Agreement
to acquire 100% of the outstanding shares of a southwestern Ontario-based automotive service center for $450,000. A deposit of $100,000 is being held in trust pending the closing of the transaction. The automotive service center holds a license to operate a used vehicle operation in the Province of Ontario. The license will be transferred to DRIVRZ Financial Inc. upon the closing of the Share Purchase Agreement.

11. 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.

    Under the terms of the Agreement, the Company's aggregate consideration was USD$1,500,000 in cash, and 2,000,000 shares of the Company's stock. At closing, the Company paid cash of USD$500,000 and issued 2,000,000 common shares of Powerband Solutions Inc. The Company issued a promissory note for USD$1,000,000 for the balance of the cash consideration.

12. On November 27, 2020, the Company entered into a share purchase agreement with CB Auto Group Inc. a Georgia, USA corporation to acquire 15% interest for a cash consideration of US$5 million to be paid in installments over a period ending June 30, 2021 and the issuance of 750,000 share purchase warrants having an exercise price of $0.30 for a period of 3 years. As of December 31, 2020, the Company has made total payments of US$500,000 ($636,600 CAD) and has issued 75,000 share purchase warrants.

Selected Annual Financial Information

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2020, 2019 and 2018.

	Year ended December 31, 2020	**Year ended December 31, 2019**	**Year ended December 31, 2018**
Revenue	$3,028,122	$1,998,757	$281,997
Net loss	$(12,842,613)	$(8,050,113)	$(6,575,320)
Net loss per share (basic and diluted)	$(0.11)	$(0.11)	$(0.13)
	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Total assets	$13,839,168	$9,062,593	$3,675,843
Total non-current liabilities	$3,683,124	$4,356,491	$346,936
Distributions or cash dividends declared	-	-	-

The net loss for the year ended December 31, 2020, consisted primarily of (i)Sales and marketing expenses of 281,341 (ii) Share based compensation of $1,956,767 (iii) salaries and wages of $4,685,027; (iv) professional fees of $3,701,369; (v) amortization of intangible assets of $675,138; (vi) amortization of right of use assets of $705,824 (vii) office expenses of $492,752; (viii) regulatory fees of $225,415; (ix) investor relations fees of $69,377 (x) travel of $62,592; and (xi) accretion of $408,145, offset by revenue of $3,028,122.

The net loss for the year ended December 31, 2019, consisted primarily of (i)Sales and marketing expenses of 433,612 (ii) Share based compensation of $814,609 (iii) salaries and wages of $2,278,890; (iv) professional fees of $1,715,997; (v) amortization of intangible assets of $509,722; (vi) amortization of right of use assets of $361,025 (vii) office expenses of $286,057; (viii) regulatory fees of $218,554; (ix) investor relations fees of $91,587 (x) travel of $112,424; and (xi) accretion of $226,187, offset by revenue of $1,998,757.

The net loss for the year ended December 31, 2018, consisted primarily of (i) Sales and marketing expenses of $1,184,031 (ii) salaries and wages of $629,434; (iii) professional fees of $2,040,943; (iv) Share based compensation of $791,702 (v) amortization of web platform of $376,859; (vi) travel of $403,729 and accretion of $209,465 offset by revenue of $281,997.

Discussion of Operations

<u>Year ended December 31, 2020:</u>

For the year ended December 31, 2020, PowerBand generated revenue of $3,028,122. Revenues are derived primarily from three sources: lease origination ($1,309,195), subscription revenue from using the software solution ($129,464), and fees earned on software development and design for D2D Auto Auctions LLC ($1,304,813).

For the year ended December 31, 2020, PowerBand incurred a loss of $12,842,613 with basic and diluted loss per share of $0.11. The primary expenses that comprised the loss include:

- Accretion expense of $408,145 was accrued using the effective interest method and capitalized to the shareholder loan balance outstanding.

- Sales and marketing expenses totaled $281,341 related to the marketing of the PowerBand online platform.

- Amortization expense of $675,138 representing the amortization expense of the intangible assets, principally made up of the acquisition and development costs of the web platform used by the Company to develop its software applications and to sell its various services.

- Amortization expense of tangible assets of $130,339, representing the amortization expense of tangible assets, which is comprised of Property, plant and equipment of MUSA Holdings, LLC.

- Amortization expense of right of use assets of $705,824 for PowerBand's head office location in Burlington, Ontario and MUSA Holdings, LLC's head office location in Addison, Texas.

- Salaries and wages of $4,685,027 and Professional Fees of $3,701,369 totaling $8,386,396 were incurred for sales, operations and finance-related Management Consulting fees, legal fees, accounting and audit fees. Most of these costs were incurred in the US operation to lay down the foundation for the Company to start generating revenue from the lease origination fees.

- Insurance expenses of $177,143 representing costs associated with the Company's Directors & Officers, Cyber Technology and Commercial General Liability Insurance policies.

- Investor Relations expenses of $69,377 representing costs associated from working with Investor Relations Firms.

- Office expenses of $492,752 representing various office costs.

- Regulatory fees of $225,415, representing regulatory filing fees and expenses associated with the Company's public listing on the TSX Venture Exchange, the OTC Pink Sheets, and the Frankfurt Exchange.

- Share based compensation of $1,956,767 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.

- Travel expenses of $62,592 in relation to management, sales and business development meetings in Canada and the United States.

- Salaries and wages of $4,685,027 for management, sales and software development personnel.

Three-month period ended December 31, 2020:

For the three-month period ended December 31, 2020, PowerBand generated revenue of $1,426,851. Revenues are derived primarily from three sources: lease origination, subscription revenue from using the software solution, and fees earned on software development and design for D2D Auto Auctions LLC.

For the three-month period ended December 31, 2020, PowerBand incurred an operating loss of $4,821,125 with basic and diluted loss per share of $0.04. The primary expenses that comprised the operating loss include:

- Accretion expense of $113,663 was accrued using the effective interest method and capitalized to the shareholder loan balance outstanding.

- Sales and marketing expenses totaled $95,369. This amount mainly related to the marketing of the PowerBand online platform.

- Amortization of intangible assets of $278,879 representing the amortization expense of the web platform as well as development costs incurred during the quarter.

- Amortization expense of tangible assets of ($65,269), representing the amortization expense of tangible assets, which is comprised of Property, plant and equipment of MUSA Holdings.

- Amortization expense of right of use assets of $172,997 for PowerBand's head office location in Burlington, Ontario and MUSA Holdings, LLC's head office location in Addison, Texas.

- Professional Fees of $1,870,076 for sales, operations and finance-related Management Consulting fees, legal fees, accounting and audit fees.

- Share-based compensation of $958,820 representing the amortization of fair market value of incentive stock options granted using the Black-Scholes valuation model.

- Regulatory fees of $84,809 representing regulatory filing fees and expenses associated with the Company's public listing on the TSX Venture Exchange, the OTC Pink Sheets, and the Frankfurt Exchange.

- Travel expenses of $23,172 in relation to management, sales and business development meetings in Canada and the United States

- Salaries and Wages of $1,180,252 for management, sales and software development personnel.

Summary of Quarterly Results

	2020			
	Q4	Q3	Q2	Q1
Revenue ($)	1,426,635	576,725	409,330	615,432
Net Loss ($)	- 4,821,125	- 2,878,428	- 2,384,849	2,758,211
Net Loss per share (basic and diluted)	0.04	- 0.03	- 0.02	0.02

	2019			
	Q4	Q3	Q2	Q1
Revenue ($)	416,943	461,116	566,601	554,097
Net Loss ($)	4,059,369	2,510,627	1,109,880	370,237
Net Loss per share (basic and diluted)	0.07	0.01	0.01	0.01

Liquidity and Financial Position

The Company closed the year with $1,403,213 in cash and cash equivalents on hand, compared to $243,030 as at December 31, 2019.

Cash used in operating activities was $8,077,188 for the year ended December 31, 2020. Operating activities were affected by the net loss of $12,842,613 offset by non-cash items of $675,138 for amortization of the intangible assets, $705,824 for amortization of right of use assets, $408,145 in Accretion expense for leases, $179,504 for gain on debt settlement, $1,956,767 in share-based compensation, foreign exchange gain of $14,363, $325,424 in Deferred Income Tax Recovery, provision for expected credit loss of 376,985 and the Company's share of joint venture losses of $287,665. In addition, operating cash flows were increased by a $652,804 change in non-cash working capital.

Net cash used in investing activities totaled $1,676,619, relates to investment in property and equipment for $260,556, intangible assets of $174,857, equity investment in private entity for $636,600 and net cash acquired from acquisition of INTELLACAR for $604,606.

Net cash received from financing activities was $10,981,193, primarily relating to funds received from convertible debenture financing for $8,093,200 and net proceeds from related parties for $2,695,461.

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.

As of December 31, 2020, the Company had 137,534,856 common shares issued and outstanding.

As of December 31, 2020, the Company had current liabilities comprised of the following:

- accounts payable and accrued liabilities in the amount of $3,171,728;
- deferred revenue of $18,000;
- lease liability of $596,817;
- a short term loan of $254,600;
- government assistance of $623,635; and
- due to related parties amount of $4,611,421.

In addition, at December 31, 2020 the Company had a long-term lease liability of $3,683,124.

The Company's use of cash at present occurs, and in the future will occur, in several areas, including, funding of 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. For fiscal 2021, the Company's expected operating expenses are estimated to average $700,000 per month for recurring operating costs. Management may reassess its planned expenditures based on the Company's working capital resources, the success of adding new customers to the PowerBand Platform, and the overall condition of the financial markets.

As of December 31, 2020, the Company had net current assets of ($5,925,718) (current assets less current liabilities)

Reconciliation and Definition of Non-IFRS Measures

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

Gross revenue
Gross revenue is the sum of the adjusted capital cost on a lease, gain on sale of the lease, fee income from lease origination and the recurring monthly revenue from the use of the online platform to buy, lease, sell, auction, finance and insure a vehicle. The Company has an arrangement with a federally regulated financial Institution to sell all of its rights, title and interest in a leased vehicle contract by making a single upfront lease payment on the settlement date. This is a flow through facility unlike a warehouse facility wherein the value of the lease is amortized over the life of the lease.

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		Year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	$	$	$	$
Net (loss) income	(4,821,125)	(4,059,369)	(12,842,613)	(8,050,113)
Add: Interest	361,427	(81,773)	784,722	296,832
Add: Depreciation and amortization	386,607	(352,408)	1,511,301	916,779
Add: Current and deferred tax expense (recovery)	(325,424)	(291,415)	(325,424)	(291,415)
EBITDA	(4,398,515)	(4,784,965)	(10,872,014)	(7,127,917)

EBITDA for the three months ended December 31, 2020 increased by $386,450 or 8%, as compared to the same period in the prior year. For the fiscal year ended December 31, 2020, EBITDA decreased by $3,744,097 or 53%.

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		Year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	$	$	$	$
EBITDA as above	(4,398,515)	(4,784,965)	(10,872,014)	(7,127,917)
Add: Share based compensation	958,820	579,038	1,956,767	997,947
Add: Provision for expected credit loss	376,985	-	376,985	-
Add: Foreign exchange loss (gain)	(33,670)	5	(74,352)	38,429
Add: Loss (gain) on debt settlement	(179,504)	264,950	(179,504)	264,950
Add: Loss on shares issued	-	(68,000)	-	(68,000)
Adjusted EBITDA	(3,275,884)	(4,008,972)	(8,792,118)	(5,894,591)

Adjusted EBITDA for the three months ended December 31, 2020 increased by $733,088 or 18%, as compared to the same period in the prior year. For the fiscal year ended December 31, 2020, adjusted EBITDA decreased by $2,897,527 or 49%.

The increase in Q4 is attributable to higher revenue from the launch of the lease origination activity on the online platform. Management believes adjusted EBITDA as a more appropriate KPI to measure as the two major items that flow through the income statement are people 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.

Changes in Accounting Policies

The Company adopted the following amendments, effective January 1, 2020. There was no material impact upon adoption of these amendments on the Company's financial statements:

<u>IAS 1 - Presentation of Financial Statements ("IAS 1") and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")</u>

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

<u>Amendment to IFRS 3 – Business combinations</u>

IFRS 3 "Business Combinations" was amended to revise the definition of the term "business". The amendments narrowed the definitions of a business and outputs and includes an optional concentration test.

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 December 31, 2020, the capital structure of the Company consisted of common shares, common share purchase warrants and stock options.

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 MUSA Holdings, LLC and IntellaCar Solutions 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 the capital market 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 December 31, 2020, the Company had net current assets of ($5,925,718) (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 no significant concentration of credit risk arising from operations as the monthly accounts receivable from any one customer will not 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 the 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, trade receivables, trade payables and accrued liabilities all approximate their carrying values due to their short-term nature. Cash is measured at fair value using Level 1 inputs. The accounts payable, convertible debt, loan, and due to related parties' balances are classified as Level 2.

Related Party Transactions

(a) Compensation of key management personnel of the Company

Key management personnel include those persons having 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, and the Chief Technology Officer.

Key management personnel compensation for the year ended December 31, 2020 and 2019 was as follows:

i. CEO $1,396,376 (2019: $ 207,000 and was issued 10M shares for a deemed price of $0.10 per share and this was settled by reducing the shareholder loan balance by $832,000.)

ii. President $241,668 (2019: $ 99,105 and received 3M shares for a deemed price of $0.07 per share.)

iii. Chief Financial Officer $32,340 (2019: $ 87,160)

iv. Chief Technology Officer $139,968 (2019: $ 142,460)

v. Directors $243,808 (2019 - $141,000 and received 3M shares for a deemed price of $0.07 per share.)

At December 31, 2020, the total amount payable to key management personnel of the Company amounted to $1,451,011 (2019 - $218,263) and recorded in Accounts payable and accrued liabilities.

(b) Loans from Shareholders, Officers and Directors

As at December 31, 2020 other unsecured, non-interest-bearing balances owed to shareholders totaled $nil (2019 - $27,230).

As at December 31, 2020, shareholder loan balance was $765,169 (2019 - $nil), including accrued interest of $134,384 recorded in the accounts payable and accrued liabilities. This loan was interest bearing at 9% with a maturity date of March 1, 2021. (refer to Subsequent events note)

As at December 31, 2020, the interest free notes payable on acquisition of INTELLACAR amounted to $1,273,200. The promissory notes have a maturity date of March 31, 2021. (refer to Subsequent events note)

As at December 31, 2020, the interest free short-term shareholder loan balances was $795,150 (US$625,000) (2019 - $nil). (refer to Subsequent events note)

On December 21, 2020, the Company's subsidiary IntellaCar Solutions Inc. entered into a promissory note agreement with an arm's length third party to borrow US$200,000 ($254,640 CAD), interest free, and payable in full on or before February 28, 2021. This is reported as Short-term loan and was paid in full subsequent to year end December 31, 2020.

During the year ended December 31, 2019, the shareholder loan balance of $1,418,004 was settled by shares, with a loss recorded on debt settlement for $264,949. In 2020, there was no shareholder loan settled by shares.

On July 17, 2019, the Company and a shareholder entered into a Bridge Note agreement of $2,500,000 due on January 17, 2020 with an interest rate of 9% per annum. As at December 31, 2020, the Company owed $1,102,701 (2019 - $1,191,276) to the shareholder.

(c) Transactions with Related Parties

During the year, the Company paid for expenses $36,304 (2019 - $200,496) and charged subscription fee of $15,051 (2019 - $31,236) to companies controlled by the CEO.

During the year, the Company recorded sales transactions to its joint venture, D2DAA, as follows:

	December 31, 2020 ($)	December 31, 2019 ($)
Software development sales	1,304,813	1,824,471
Vehicle and auction sales	200,300	14,816

As at December 31, 2020, the following are due/to from D2DAA accounts receivable (note 20 of financial statement) is $1,345,786 (2019- $708,583) and $18,000 (2019 - $200,300) is in included in deferred revenue for deposit on vehicles by D2DAA. The Company owes D2DAA $604,770 (2019 - $195,795) as at December 31, 2020. The balance is due on demand and non-interest bearing.

As at December 31, 2020, the Company owed the CEO of Musa Holdings LLC $207,532 (2019 - $416,890). The amount is due on demand and non- interest bearing.

Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2020 the Company had 137,534,856 (December 31, 2019 – 105,764,042) common shares issued and outstanding. As at December 31, 2020 there were 23,179,246 (December 31, 2019 – 17,452,322) warrants outstanding which entitle the holders to purchase one common share of the Company. Stock options outstanding as of December 31, 2020 were 19,928,500 (December 31, 2019 – 11,278,500) which entitle the holders to purchase one common share of the Company. The number of exercisable stock options as at December 31, 2020 was 16,753,500.

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

Common Shares at December 31, 2020	137,534,856
Private Placement Shares issued February 10, 2021	18,275,862
Shares issued from exercise of warrants – April 2021	3,235,944
Shares issued from exercise of options – April 2021	6,855,167
Shares issued for debt	800,000
Total Common Shares at April 28, 2021	166,701,829
Warrants outstanding at April 28, 2021	22,411,620
Restricted share units at April 28, 2021	1,050,000
Stock options outstanding at April 28, 2021	13,948,333
Total – Fully Diluted	204,111,782

Disclosure of Internal Controls

Management has established processes to provide them sufficient with 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 statementsfairly 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 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 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 obtainadditional 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 commonshares 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.

Limited Revenues

To date, the Company has recorded limited revenues as it has been operating its auction platform and lease origination activity within a core group of automotive dealerships. The Company has purposefully chosen not to expand its network of buyers and sellers until the software platform was fully operational and strategic partnerships were in place to allow for rapid deployment of the PowerBand Platform. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses, and capital expenditures may increase in subsequent years in relation to the engagement of consultants, partners and personnel to advance the Company's product offering.

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 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.

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 setout 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. A further claim was then filed against the Company for a further $455,000. The Company believes the claim is without merit. The Company has assessed the claims totaling $905,000 as highly unlikely to be successful.

In May 2019 the Company was served a Notice of Civil Claim in the Superior Court of British Columbia by Paul Mountney and Paulette Mountney, a former consultant of the Company and the sole shareholder of LeadSource Canada Inc., respectively. The amount of the Claim is approximately $565,000. The Company believes the claim is without merit. The Company has assessed the claim as highly unlikely to be successful.

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 inthe 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 judgmentthat 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 is expected to proceed to trial in Dallas County on March 30, 2021. 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. We cannot prove damages to any degree of certainty but have pled for injunctive relief to seek our outside counsel fees.

Foreign Operations

As of December 31, 2020, 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.

Subsequent Events

Subsequent to the year ended December 31, 2020, the following corporate activities occurred:

- In January 2021, the Company announced the deployment of a specialized platform enhancing software, which will cost US$200,000, and that will address some of the challenges the consumers and dealers are confronted with completing a transaction online.

- On February 10, 2021, the Company announced that it has closed on its non-brokered private placement (the "Private Placement") of 18,275,862 units (the "Units") at a price of $0.29 per Unit for total proceeds of $5,300,000. Each Unit is comprised of one common share of the Company ("Common Share") and one share purchase warrant (the "Warrants") of the Company. Each Warrant entitles the holder to receive, for no additional consideration, one Common Share, subject to adjustments, at an exercise price of $0.49 for a period of 24 months from their date of issuance. Cash finders' fees of $92,803 were paid to arm's length finders. In addition, 320,009 compensation warrants (the "Finder Warrants") were issued. The Finder Warrants are exercisable at a price of $0.49 per common share for a period of 24 months after their date of issuance.

- In January 2021, the Company repaid a note payable for the acquisition of IntellaCar amounting to $769,594 (US$600,000). A partial payment of $251,834 (US$200,000) was made on the second note payable of US$400,000. This is reported at December 31, 2020 as due to related parties.

- In January and February 2021, the Company repaid loans to shareholders for total amount of $763,922

(US$600,000). This is reported at December 31, 2020 as interest free short-term shareholder loan in due to related parties.

- In February 2021, the Company repaid a loan from a shareholder for total amount of $600,000. This is reported at December 31, 2020 as due to related parties.

- In March 2021, the Company announced that it has begun a pilot launch of the C2C auction portal of DRIVRZ branded drivrzXchange, in Northwestern Arkansas, USA.

- On April 1, 2021, the Company announced the approval for settlement of outstanding debt of $1,000,000 owed to the CEO of the Company by issue of 800,000 common shares. This is reported in the financial statements as due to related parties.

- The Company paid total amount of US$750,000 pursuant to the share purchase agreement with CB Auto Group Inc. as consideration to acquire 15% interest. The Company has now made total payment of US$1,250,000 for a total cash consideration of US$5 million.

- Subsequent to December 31, 2020 and up to April 26, 2021, the Company received $1,873,640 from exercise of stock options and warrants.

Additional Information

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