Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

POWERBAND SOLUTIONS INC.

Three Months ended March 31, 2020 and 2019

POWERBAND SOLUTIONS INC
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at March 31, 2020	As at December 31, 2019
	$	$
ASSETS		
Current		
Cash (Note 4)	805,050	243,030
Trade receivables (Note 14)	1,323,836	994,813
Inventory (Note 19)	-	200,365
HST receivable	153,822	178,269
Deposit (Note 5)	283,740	259,760
Prepaid expenses	83,513	131,827
	2,649,961	2,008,064
Non-Current		
Interest in joint venture (Note 7)	47,993	268,224
Intangible assets (Note 9)	1,805,289	1,632,347
Property, plant and equipment (Note 10)	312,705	308,688
Goodwill (Note 22)	188,947	172,593
Right of use asset (Note 17)	4,893,191	4,672,677
Total assets	**9,898,086**	**9,062,593**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	1,534,059	2,049,600
Deferred revenue	-	200,300
Lease liability – current portion (Note 17)	451,970	551,276
Short term loan (Note 6)	1,436,325	100,000
Convertible debenture (Note 19)	3,123,325	1,387,791
Due to related parties – current portion (Note 13)	1,853,954	1,825,893
Total current liabilities	8,399,633	6,114,860
Non- Current		
Lease liability – long term portion (Note 17)	4,737,092	4,356,491
Total long-term liabilities	4,737,092	4,356,491
Total liabilities	13,136,725	10,471,351
Shareholders' equity (deficiency)		
Share capital (Note 12)	16,617,356	16,217,356
Obligation to issue shares	225,246	225,246
Reserve (Note 12)	1,928,771	1,445,073
Deficit	(22,334,052)	(19,576,102)
Accumulated other comprehensive income (loss)	37,521	10,742
Total shareholders' equity attributable to Powerband Solutions Inc	2,028,239	1,677,685
Non-controlling interest	286,519	268,927
Total shareholders' equity (deficiency)	(3,238,639)	(1,408,758)
	9,898,086	**9,062,593**

Going Concern (Note 1)
Approved on behalf of the Board of Directors:

"***Kelly Jennings***" "***Bill Butler***"

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

POWERBAND SOLUTIONS INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the three months ended March 31,	2020	2019
Revenue		
Vehicle and auction sales	$ 207,566	$ -
Software development sales	393,686	554,097
Leased vehicles	14,180	-
	615,432	554,097
Cost of goods sold		
Vehicle acquisition	200,364	-
Lease vehicle amortization	10,211	-
Software development	77,944	-
	288,519	-
Gross Margin	326,913	554,097
Expenses		
Accretion (Note 17)	110,744	59,801
Amortization of intangible assets (Note 9)	153,252	152,841
Amortization of tangible assets (Note 10)	23,206	-
Amortization of right of use assets (Note 17)	176,719	17,058
Interest and bank charges	50,448	11,060
Consulting fees	379,566	236,822
Foreign exchange (gain)/loss	(158,156)	27,835
Insurance	44,447	1,866
Investor Relations	19,837	43,469
Office	136,730	50,552
Professional fees	96,765	99,051
Regulatory fees	47,506	7,142
Rent expense	-	-
Sales and marketing	70,725	71,938
Salaries and wages	1,369,280	62,774
Share based compensation (Note 12)	271,539	25,571
Utilities	15,574	-
Telephone	5,059	4,650
Travel	26,891	37,172
Total expenses	2,840,132	909,602
Other items		
Interest in joint venture	244,992	14,732
Net Loss	$ (2,758,211)	$ (370,237)
Attributable to:		
Equity holders of Powerband Solutions Inc	(2,028,239)	-
Non-controlling interest	(729,972)	-
Basic and diluted loss per share	(0.02)	(0.01)
Weighted average number of shares outstanding	107,131,563	54,745,342

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

POWERBAND SOLUTIONS INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the three months ended March 31,	2020	2019
Net Loss	$ (2,758,211)	$ (370,237)
Other comprehensive loss		
Foreign currency translation gain	44,633	-
Total Comprehensive loss	$ (2,713,578)	$ (370,237)
Attributible to:		
Equity Holders of Powerband Solutions Inc	$ (2,001,459)	$ (370,237)
Non-controlling interest	$ (712,119)	$ -

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

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

	Number of issued and outstanding shares	Share capital	Reserves	Obligation to Issue shares	Equity component of convertible debenture	Other comprehensive income	Non-controlling interest	Deficit	Total Shareholders' equity
	#	$	$	$	$	$	$	$	$
Balance, December 31, 2018	54,745,342	11,780,221	1,353,751	1,091,360				(11,766,408)	2,458,924
Private placements				832,000					832,000
Share based compensation			25,571						25,571
Loss for the period								(370,237)	(370,237)
Balance, March 31, 2019	54,745,342	11,780,221	1,376,322	1,923,360	-	-	-	(12,136,645)	2,946,258
Balance, December 31, 2019	105,764,042	16,217,356	1,445,074	124,184	101,062	10,741	268,927	(19,576,102)	(1,408,758)
Private placements	6,153,846	400,000							400,000
Warrants issued in connection with convertible debt			180,546						180,546
Warrants issued in connection with short term debt			31,612						31,612
Share based compensation			271,539						271,539
Capital contributions made on behalf of non-controlling interest							729,711	(729,711	-
Foreign currency translation						26,780	17,853		44,633
Loss for the period							(729,972)	(2,028,239)	(2,758,211)
Balance, March 31, 2019	111,917,888	16,617,356	1,928,771	124,184	101,062	37,521	286,519	(22,334,052)	(3,238,639)

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

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

For the three months ended March 31,	2020	2019
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Loss	(2,758,211)	(370,237)
Add (deduct) items not affecting cash		
Accretion on lease liability	77,174	15,023
Accretion on loan	-	44,778
Deferred Income Tax Recovery	-	-
Amortization - Intangible Assets	153,252	152,841
Amortization - Right of Use and Other Assets	210,136	17,058
Foreign Exchange	(163,011)	27,835
Interest on Convertible Note	33,570	
Loss on Debt- Settlement	-	-
Loss on Joint Venture	244,992	14,732
Share-based Compensation	271,539	25,571
	(1,930,559)	(72,399)
Changes in non-cash w orking capital items:		
Accounts receivable and prepaid expenses	(216,663)	(573,180)
Income tax credit receivable	-	(139,203)
Inventory	200,365	-
Prepaids	(11,558)	56,250
Deferred revenue	(200,300)	-
Right of use asset	-	(315,771)
Lease liability	-	289,611
Federal development loan	-	(18,175)
Accounts payable and accrued liabilities	(572,537)	143,219
Net cash used in operating activities	(2,731,252)	(629,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible asset additions	(247,199)	(748,701)
Net cash from (used in) investing activities	(247,199)	(748,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements, net	400,000	-
Convertible debenture financing, net	1,996,780	-
Payments to related parties	(6,076)	365,863
Funds from short term loans	1,367,937	-
Payment of lease liability, net of deposits received	(215,114)	-
Obligation to issue shares	-	832,000
Net cash received from financing activities	3,543,527	1,197,863
Net change in cash	565,076	(180,486)
Foreign currency translation	(3,055)	-
Cash, beginning of the year	243,029	311,487
CASH, END OF THE PERIOD	805,050	131,001

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Powerband Solutions Inc. (formerly Marquis Ventures Inc.) ("Powerband Solutions" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on September 29, 2009. The Company's head office is located in Suite 225, 3385 Harvester Road, Burlington, Ontario, L7N 3N2. The registered office is located at Suite 1700, 666 Burrard Street, Vancouver, BC, Canada V6C 2X8. The Company develops, markets and sells access to online auction software for used vehicles, which includes real time appraisal services, market information and financing solutions. In February 2018, the Company completed the acquisition of Powerband Solutions Global Dealer Services Inc. ("PGDSI"), a private Ontario-based Company. In connection with the acquisition, the Company changed its name to Powerband Solutions Inc. For accounting purposes, the acquisition of PGDSI was treated as a reverse takeover acquisition as the shareholders of PGDSI acquired control of the consolidated entity.

These unaudited interim consolidated financial statements ("interim consolidated financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of $2,758,211 (March 31, 2019 - $370,237), of which $729,972 was attributed to the non-controlling interest during the three months ended March 31, 2020, and as of that date, the Company had a deficit of $22,344,052 (March 31, 2020 - $12,136,645).

The continuity of the Company's operations is dependent on raising future financings for working capital and obtaining profitable operations. Management believes that it will be able to secure the necessary financing through shareholders loans and the issuance of new equity or debt instruments. However, there is no assurance that the Company will be successful in these actions. There can be no assurance that adequate financing will be available or available at terms favorable to the Company. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These interim consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the statements of loss and comprehensive loss, and statement of financial position classifications that would be necessary should the going concern assumption not be appropriate. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. In assessing whether the going concern was appropriate, management considered all relevant information available, what was at least, but not limited to, the twelve months from the end of the reporting period.

These interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

These interim consolidated financial statements were approved by the Board of Directors for issuance on July 14, 2020.

2. BASIS OF PREPARATION

a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of July 14, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed consolidated interim financial statements.

b) Newly adopted accounting standards

Interest Rate Benchmark Reform: Amendments to IFRS 9 and IFRS 7

In September 2019, IASB issued Phase 1 of its amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures, to amend certain requirements for hedge accounting and provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates [“IBOR”s]). These amendments modify hedge accounting requirements, allowing entities to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB’s project on IBOR is underway and will address transition from IBOR. The Company adopted the Phase 1 amendments on January 1, 2020 which didn’t not have a material impact on the company’s consolidated financial statements for the three months ended March 31, 2020.

c) Standards, Amendments and interpretations issued but not yet adopted

Insurance Contracts

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 – Insurance Contracts (“IFRS 17”), that replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2019, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date to January 1, 2022. Early adoption is permitted. The Company is assessing the potential impact of this standard.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Going concern evaluation

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

Income taxes

The Company is subject to income taxes in Canada. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change

Estimated useful lives

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

Impairment of long-lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible intangible asset, and the appropriate discount rate. During the years ended December 31, 2019 and December 31, 2018, the Company's intangible assets were determined to not be impaired.

Allocation of purchase consideration

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

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

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

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

4. CASH

Cash consists of funds held in Canadian and American financial institutions break down as follows:

For the three months ended March 31,	2020	2019
Cash at Canadian bank on hand	$ 80,808	$ 131,001
Cash at American bank on hand	724,241	-
Total	$ 805,049	$ 131,001

5. DEPOSIT

On July 18th, 2018 the Company signed a Letter of Intent with Zoom Blockchain Solutions Inc. to establish a disruptive automotive-related blockchain and application technologies solution. The joint venture will develop a blockchain powered mobile application to buy and sell cars. As part of the transaction a deposit of $200,000 United States dollars ($283,740 CAD) was made by the Company. In 2020, the Company is involved with ongoing discussions with Zoom Blockchain Solutions Inc. to formalize an agreement for the joint venture.

6. SHORT TERM LOANS

On January 16, 2020 the Company entered into a loan agreement (the "Loan") with an arm's length third party to borrow $350,000. The terms of the Loan included that the Loan will be secured on the assets of the Company, accrue interest at a rate of 8% per annum, calculated monthly, and mature in three months. In connection with the Loan, 350,000 warrants to purchase common shares of the Company at an exercise price of $0.165 were issued. The warrants are subject to a four month hold period and are exercisable for one year from the date of issuance.

On February 25, 2020 the Company entered into a loan agreement (the "Loan") with an arm's length third party to borrow $850,000 at a rate of 9% per annum, calculated monthly, and to mature in three months.

On February 27, 2020 the Company entered into a loan agreement (the "Loan") with an arm's length third party to borrow $250,000 at a rate of 9% per annum, calculated monthly, and to mature in three months.

7. INTEREST IN JOINT VENTURE

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

During the three months ended March 31, 2020 D2DAA incurred losses of $489,984 (March 31, 2019 - $14,732). Powerband Solutions recognized 50% or $244,992 and had foreign exchange gain of $24,761 (March 31, 2019 gains of $19,814) resulting in an Interest in Joint Venture in Canadian dollar equivalent of $33,829 at March 31, 2020 (March 31, 2019 - $1,034,188). The Company owns 50% of the voting shares of D2DAA and 50% of the net assets of D2DAA. D2DAA accounted for 65% of the Company's revenue and 72% of the Company's account receivable.

8. BUSINESS COMBINATIONS

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

Under the terms of the Agreement, the Company's aggregate consideration was USD $300,000 in cash and 4,300,000 shares of the Company's stock. At closing, the Company issued 2,500,000 common shares of Powerband Solutions Inc. The Company will issue 900,000 common shares of Powerband Solutions Inc. to MUSA on the first anniversary closing date of the transaction, and an additional 900,000 common shares of Powerband Solutions Inc on the second anniversary of the closing date, for a total of 4,300,000 common shares.

The Company has determined that this transaction represented a business combination with Powerband Solutions Inc. as the acquirer.

The total consideration as of July 17, 2019 has been estimated to be $ 753,274 CAD ($577,090 USD).

The Company began consolidating the operating results, cash flows and net assets of MUSA from July 17, 2019 onwards.

(Expressed in Canadian dollars)

8. BUSINESS COMBINATIONS (continued)

The following table summarized the consideration paid as part of the purchase price:

Consideration	Shares Issued/Issuable	Consideration USD		Consideration CAD	
Cash	-	$	300,000.00	$	391,590.00
Issues on July 17, 2019	2,500,000		181,951		237,500
To be issued on July 17, 2020	900,000		49,222		64,249
To be issued on July 17, 2021	900,000		45,917		59,935
Total consideration		**$**	**577,090.00**	**$**	**753,274.00**

Common shares to be issued on July 17, 2020 and July 17, 2021 were valued using the Black-Scholes pricing model, as at the acquisition date, using the following assumption:

Inputs	July 17, 2020	July 17, 2021
Share price	0.095	0.095
Exercise price	0.095	0.095
Volatility	126.81%	126.81%
Risk free	1.11%	1.11%
Dividend yeild	0.00%	0.00%

The following table summarizes the preliminary allocation of the purchase price of the identifiable assets and liabilities based on their estimated fair value as at the date of acquisition:

Description	CAD	
Total purchase of MUSA	$	753,274
Net w orking capital assumed		(449,125)
Lease receivable		289,450
Fixed assets		357,161
Right of use asset		4,696,888
Deposits		147,894
Intangibles - Intellectual property		989,357
Lease liability		(4,696,888)
Deferred income tax liability		(251,871)
Non-controlling interest		(502,185)
Goodw ill		172,593

Goodwill is attributable to MUSA that has experience in online vehicle leasing platform, operations, customer development and additions of deferred tax liability pertaining to increate in values of intangible asset from recording it at fair value.

Deferred income tax liability is computed at the fair value of intangible assets acquired with the applicable tax rate of approx. 25.5% of $989,357.

Since the acquisition date, MUSA has contributed $43,594 in revenues and $4,383,813 to the Company’s let loss.

(Expressed in Canadian dollars)

9. INTANGIBLE ASSETS

During the year ended December 31, 2016, the Company acquired a web platform for cash of $1,391,532. During the year ended December 31, 2017, the Company capitalized an additional $2,000 of costs related to the asset. During the year ended December 31, 2018 an additional $854,585 of internal and external development costs related to the asset were capitalized. During the year ended December 31, 2019 an additional $984,429 of internal and external development costs related to the asset were capitalized. The web platform is used by the Company to develop its future software applications and to sell various services. Under the current amortization policy, the web platform and associated development additions are amortized on a straight-line basis over five years.

On August 31st, 2018 the Company acquired 100% of the outstanding shares of 1070879 B.C. Ltd., operating as LeadSource Canada. Based in Kelowna, British Columbia, LeadSource is a next generation automotive private sale event marketing Company. As consideration for the transaction Powerband Solutions paid LeadSource a cash purchase price of $60,000 for 100% of the outstanding shares. As there were no identifiable assets in 1070879 B.C. Ltd., at the time of closing, the entire purchase price has been allocated to Intangible Assets and is being amortized on a straight-line basis over five years.

On July 17, 2019 the Company executed a Unit Purchase Agreement to acquire 60% of MUSA Holdings, LLC, and its subsidiaries, including MUSA Auto Finance, LLC ("MUSA"). MUSA is a leading new and used vehicle platform, with licenses to operate in 33 States in the U.S. intellectual property was identified and is being amortized on a straight-line basis over five years.

The following table summarizes the movements in Intangible Assets for the three-month period ended March 31, 2020 and 2019:

Web platform

	2020	2019
	$	$
Cost Balance at January 1	1,980,455	2,248,117
Additions during the quarter	247,199	748,701
Cost Balance as at March 31	2,227,654	2,996,818

	2020	2019
	$	$
Amortization Balance at January 1	1,278,094	883,285
Charge during the quarter	99,282	149,940
Amortization Balance as at March 31	1,377,376	1,033,125
Carrying Value at March 31	850,278	1,963,693

LeadSource

	2020	2019
	$	$
Cost Balance at January 1	60,000	60,000
Additions during the quarter	-	-
Cost Balance as at March 31	60,000	60,000

	2020	2019
	$	$
Amortization Balance at January 1	16,000	4,000
Charge during the quarter	3,000	3,000
Amortization Balance as at March 31	19,000	7,000
Carrying Value March 31	41,000	53,000

(Expressed in Canadian dollars)

9. INTANGIBLE ASSETS (continued)

Intellectual property

	2020	**2019**
	$	$
Cost Balance at January 1,	984,429	-
Foreign exchange adjustments	90,879	-
Cost Balance as at March 30	1,075,308	-

	2020	**2019**
	$	$
Amortization Balance at January 1	98,443	-
Charge during the quarter	62,853	-
Amortization Balance as at March 31	161,296	-
Carrying Value March 31	914,012	-
Total Carrying Value at March 31	1,805,290	2,013,693

10. PROPERTY AND EQUIPMENT

Cost	**Furniture Fixtures and Equipment**	**Computer Equipment**	**Leasehold Improvements**	**Total**
Balance at January 1, 2020	339,064	7,147	8,509	354,720
Foreign exchange adjustments	31,301	660	786	32,746
Balance at March 31, 2020	370,365	7,807	9,295	387,466
Amortization				
Balance at January 1, 2020	40,140	5,347	545	46,032
Foreign exchange adjustments	3,706	494	50	4,250
Amortization for the quarter	22,213		300	24,480
Balance at March 31, 2020	66,059	7,807	895	179,176
At March 31, 2020	**304,306**	**-**	**8,400**	

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	**December 31, 2019**
	$	$
Trade payables	$ 1,012,135	$1,481,830
Accrued liabilities	508,924	567,770
Trade payables and accrued liabilities	1,521,059	2,049,600

12. SHARE CAPITAL AND RESERVES

Authorized
The Company is authorized to issue:

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

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

Private Placements:

On February 8, 2018, the Company closed a non-brokered private placement by issuing 1,325,194 units at a price of $0.30 per unit for gross proceeds of $397,561. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at $0.60 per share for a three-year period. There was $nil value assigned to the value of the warrants.

On February 8, 2018, pursuant to the transaction with Marquis, Powerband Solutions closed a brokered private placement by issuing 27,500,000 units at $0.30 per unit for gross proceeds of $8,278,375. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common shares at $0.60 per share for a three-year period. There was $nil value assigned to the value of the warrants. Powerband Solutions incurred finders' fees of $1,026,732 which consisted of 400,000 shares and 125,000 units valued at $120,000 and $37,500, respectively and various broker and professional fees totaling $869,232. The finders' units comprised of one common share and one half one of common share purchase warrant with the same terms as the units in the brokered private placement.

On April 25, 2019, the Company closed a non-brokered private placement by issuing 12,505,261 common shares for gross proceeds of $12,505,261. There were no warrants issued with the private placement and no finders' fees were incurred.

On December 20, 2019 the Company closed the first tranche of a $500,000 Private Placement. A total of 1,538,461 Units, at a price of $0.065 per Unit, have been issued for total gross proceeds to the Company of $100,000. Each Unit is comprised one (1) common share of the Company ("Common Share") and one half of one (1/2) common share purchase warrant (each whole share purchase warrant, a "Warrant") of the Company. Each Warrant shall entitle 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.

A total of 769,280 warrants were issued as part of the $100,000 Private Placement on December 20, 2019.

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 announced on 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

Shares for Debt:

Effective April 10, 2019 the Company settled the five-year loan of $705,035 owed to the CEO, and a significant shareholder of the Company through the issuance of 7,050,350 common shares of the Company at a deemed price of $0.10 per Common Share.

On October 28, 2019 the Company settled an outstanding debt of $712,969.90 owed to the CEO of the Company and a significant shareholder of the Company through the issuance of 12,963,089 common shares of the Company, at a deemed price of $0.055 per Common Share.

(Expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (continued)

On April 25, 2019, the Company issued 10,000,000 common shares for a deemed price of 0.10 per common share for an outstanding debt of $832,000.

Share issuances

On June 7, 2019 the Company issued 3,000,000 common shares to the President of the Company at a deemed price of $0.07 per Common Share for services rendered.

On November 4, 2019 the Company issued 3,000,000 restricted share units to the directors of the Company at a deemed price of $0.07 per Common Share for services rendered

Share Issuance:

On July 17, 2019 the Company acquired 60% of the Units of MUSA Holdings, LLC. As part of the purchase price the Company issued 2,500,000 common shares to MUSA Companies on August 1, 2019.

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price ($)
Balance, December 31, 2018	16,683,093	0.60
Warrants granted	769,280	0.15
Balance, December 31, 2019	**17,452,373**	**0.58**
Warrants granted	3,076,874	0.15
Warrants granted	350,000	0.15
Warrants granted	2,500,000	0.30
Balance, March 31, 2020	**23,379,247**	**0.49**

A summary of the Company's share purchase warrants outstanding as at March 31, 2020 is presented below:

16,683,093 Warrants have an exercise price of 0.60, and an expiration date of February 7, 2021
769,280 Warrants have an exercise price of 0.15, and an expiration date of December 20, 2021
3,076,874 Warrants have an exercise price of 0.15, and an expiration date of January 20, 2022
350,000 Warrants have an exercise price of 0.165, and an expiration date of January 15, 2021
2,500,000 Warrants have an exercise price of 0.30, and an expiration date of March 6, 2022

The weighted average remaining contractual life of the share purchase warrants is 1.13 years.

Stock Options

The Company has adopted a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. At the Company's Annual General Meeting held on May 29, 2019 the shareholders approved the 2019 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 16,552,478 common shares of the Company. The shareholders also approved the 2019 Restricted Share Unit Plan, reserving for issuance a maximum of 4,000,000 common shares of the Company. The 4,000,000 Restricted Share Unit are included in the 16,552,478 common shares of the Incentive Stock Option Plan (20% Fixed Plan).

12. SHARE CAPITAL AND RESERVES (continued)

In February 2018, the Company granted 2,931,000 stock options to consultants, directors, officers and employees of the Company which vested immediately on grant. The stock options were issued with an exercise price of $0.30 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $654,199 recognized upon grant given the immediate vesting.

In April 2018, the Company granted 462,500 stock options to consultants, directors, officers and employees of the Company which vested immediately on grant. The stock options were issued with an exercise price of $0.225 and an expiry date three years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $84,419 recognized upon grant given the immediate vesting.

In June 2018, the Company granted 700,000 stock options to consultants, directors, officers and employees of the Company which vest over a three-year period. The stock options were issued with an exercise price of $0.25 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $141,966 to be recognized over the three-year vesting period, with $16,901 recognized in 2018.

In August 2018, the Company granted 900,000 stock options to consultants of the Company which vest over a three-year period. The stock options were issued with an exercise price of $0.165 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $120,468 to be recognized over the three-year vesting period, with $nil recognized in 2018.

In November 2018, the Company granted 900,000 stock options to officers of the Company which vest over a three-year period. The stock options were issued with an exercise price of $0.125 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $91,264 to be recognized over the three-year vesting period, with $36,183 recognized in 2018.

In July 2019, the Company granted 6,800,000 stock options to consultants, directors, officers and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of $0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 488,737, to be recognized over the three-year vesting period, with $49,865 recognized in the three month period ended March 31, 2020.

In October 2019, the Company granted 500,000 stock options to consultants, directors, officers and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of $0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 27,046 to be recognized over the three-year vesting period, with $7,047 recognized in the three month period ended March 31, 2020.

In October 2019, the Company granted 1,200,000 stock options to consultants, directors, officers and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of $0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 64,907 to be recognized monthly over the one vesting period, with $19,038 recognized in the three month period ended March 31, 2020.

In December 2019, the Company granted 700,000 stock options to consultants which vest monthly over a one-year period. The stock options were issued with an exercise price of $0.15 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 32,640 to be recognized over the over-year vesting period, with $12,564 recognized in the three month period ended March 31, 2020.

(Expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (continued)

In February 2020 the Company granted 500,000 stock options to consultants, which vested immediately. The stock options were issued with an exercise price of $0.215 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 73,384 to be recognized over the over-year vesting period, with $73,384 recognized in the three month period ended March 31, 2020.

In February 2020 the Company granted 400,000 stock options to consultants, which vested immediately. The stock options were issued with an exercise price of $0.16 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 68,100 to be recognized over the over-year vesting period, with $68,100 recognized in the three month period ended March 31, 2020.

In February 2020 the Company granted 300,000 stock options to consultants, which vested immediately. The stock options were issued with an exercise price of $0.21 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 41,541 to be recognized over the over-year vesting period, with $41,541 recognized in the three month period ended March 31, 2020.

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

	2020	2019
Grant date share price	$0.06 - $0.205	$0.06-$0.09
Risk-free interest rate	1.14% – 1.58%	1.25 – 1.58%
Expected life of options	5 years	5 years
Expected annualized volatility	115%	115%
Expected dividend yield	-	-
Black-Scholes value of each option	$0.05 - $0.07	$0.05 - $0.07

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

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2019	11,278,500	0.1040
Options issued	1,200,000	0.1940
Options cancelled	-	-
Balance, March 31, 2020	12,478,500	0.1513

A summary of the Company's stock options outstanding as at March 31, 2020 is presented below:

Number of options (#)	Exercise Price ($)	Expiry Date
1,678,500	0.30	February 1, 2023
400,000	0.225	April 24, 2021
6,800,000	0.10	July, 10, 2024
500,000	0.10	October 3, 2024
1,200,000	0.10	October 17, 2024
700,000	0.10	December 2, 2024
500,000	0.215	February 12, 2025
400,000	0.16	February 25, 2025
300,000	0.21	February 27, 2025
12,478,500		

The weighted average remaining contractual life of the options is 4.10 years.

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

As at March 31, 2020, total amounts due to related parties were $1,853,954 (March 31, 2019 $926,866).

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

	March 31, 2020 ($)	March 31,2019 ($)
Development service revenue	397,171	539,255
Vehicle export agency revenue	-	-

As at March 31, 2020, the following are due/to from D2DAA accounts receivable (note 15) is $950,365 (2019- $533,101). The Company owes D2DAA $195,795 (2019- $Nil) as at March 31, 2020. The balance is due on demand and non-interest bearing

As at March 31, 2020, the Company owed the CEO of Musa Holdings LLC $450,027 (2019- $416,860). The amount is due on demand and non- interest bearing.

Shareholder loans and transactions

As at March 31, 2020 other unsecured, non-interest-bearing balances owed to shareholders totaled $1,216,507 (2019 - $705,035).

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 consists 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 three months ended March 31, 2020 and 2019 was as follows:

i. CEO $75,000 (2019 -$ 45,000).

ii. Chief Financial Officer $8,085- (2019- $ 44,462)

iii. Chief Technology Officer $42,768 (2019- $ 45,260)

14. FINANCIAL INSTRUMENTS

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its trade and other receivables. The nature of the Company’s diverse customer base ensures that there is no concentration of credit risk. The aging of the trade receivables is as follows:

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (continued)

	2020	2019
Current to 30 days past due	$299,172	$537,511
Past due (31-60 days)	32,222	-
Past due (> 61 days)	680,741	3,122
	$1,012,135	$540,633

Based on amounts which are past due, historical trends, and available information, there is no indication that a customer could be experiencing liquidity or going concern problems. These write-offs would be charged to sales and marketing expenses.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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

At March 31, 2020, all the Company's trade payables and accrued liabilities had contractual terms of less than one year.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that interest rate risk is low as it holds no investments in market instruments. The Company does not have interest rate risk related to its credit facilities, since all credit is made through shareholder loans with set interest rates.

Currency risk

No portion of the Company's revenues and operating costs are realized in currencies other than its functional currency. As a result, the Company is not exposed to currency risk on these types of transactions.

Fair value

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

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

14. FINANCIAL INSTRUMENTS (continued)

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 federal development loan, accounts payable, convertible debt, loan, and due to related parties' balances are classified as Level 2.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in continue to develop and market its software applications. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements. The Company is dependent on financing from shareholders to develop its properties and fund its activities. There were no changes in the Company's approach to capital management during the three month period ended March 31, 2020.

16. LEGAL CLAIMS

In August 2018 the Company was served a Notice of Civil Claim in the Superior Court of British Columbia by Advanced Media Solutions Limited ("AMSL"), a Company incorporated pursuant to the laws of the British Virgin Islands. AMSL is seeking payment of USD$450,000. The Company disputes the facts set out in the Civil Claim and has filed a Response to Civil Claim, as well as a Counterclaim to the Plaintiff and other individuals and entities involved for damages. 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 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.

In Re: Reagor-Dykes Motors, LP, Unites States Bankruptcy Court, Northern District of Texas, Case # 18-50214-rlj11:
The Reagor-Dykes Auto Company bankruptcy includes 11 separate motor vehicle dealership entity bankruptcies that have been filed dating back to as early as August 2018. Each of the debtor entities have filed for bankruptcy under Chapter 11 of the Bankruptcy Code seeking to reorganize their operations and the cases have been consolidated for joint administration. Over 1300 pre- petition consumers of the Reagor-Dykes' entities were negatively impacted when

(Expressed in Canadian dollars)

16. LEGAL CLAIMS – (continued)

Reagor-Dykes failed to properly transfer titles and register vehicles as contemplated by the applicable consumer contracts. As of today, approximately 700 of these consumer titles still need to be transferred and the consumers cannot obtain the required registrations to operate their vehicles in their respective states until such transfer is complete. MUSA has two remaining lease transactions that have been negatively impacted, for which it has yet to obtain the relevant title or payoff funds. MUSA expects to have all matters related to the Reagor-Dykes Auto Company bankruptcy resolved in 2020.

17. LEASES

IFRS 16 Leases sets out the principles for recognition, measurement, presentation, and disclosure of leases. It eliminates the classification of leases as either operating or finance leases required by IAS 17 and introduces a single lessee accounting model.

The Company leases its office space in Canada, and the office space the USA. On adoption of IFRS 16, the Company recognized lease liabilities. The term of the Canadian leases is for 5 years with an option to renew and the USA lease has a term of 9 years with an option to renew.

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

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

The liability pertaining to the lease of the facilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 15% for Canadian leases 5.75% for USA leases and . The associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility. As a result, on March 31, 2020, the Company recognized total lease liabilities of $4,907,797 and right-of-use assets of $4,672,677.

Company's lease liability and the right-of-use assets for the facilities is as follows:

Lease liability	Canada	USA	Total
Balance as at December 31, 2019	$ 294,358	$ 4,613,409	$ 4,907,767
Currency translation adjustment		368,650	368,650
Accrection expense	(16,622)	(70,733)	(87,355)
Balance March 31, 2020	277,736	4,911,326	5,189,062
			-
Less current portion	72,457	379,513	451,970
Long-term	$ 205,279	$ 4,531,813	$ 4,737,092

Right-of-use-asset			
Balance as at December 31, 2019	$ 276,406	$ 4,396,271	$ 4,672,677
Currency translation adjustment	$ -	$ 405,847	
Amortization	(19,743)	(165,590)	(185,333)
Balance March 31, 2020	$ 256,663	$ 4,636,528	$ 4,893,191

(Expressed in Canadian dollars)

18. INVENTORY

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

During the quarter, $200,300 (Nil – 2019) of vehicles were included in Cost of Goods Sold.

19. CONVERTIBLE DEBENTURE

On November 4, 2019, the Company closed on unsecured convertible debentures in the principal amount of one million five hundred thousand dollars ($1,500,000) (the "Debenture"). The Debenture was advanced in two tranches, the first advance on October 22, 2019 in the amount of one million dollars ($1,000,000) and the second advance on October 30, 2019 in the amount of five hundred thousand dollars ($500,000). There were no fees paid to finders in connection with the private placement. The Debenture will mature on October 22, 2020 and bear interest at a rate of 9% per annum. The principal amount of the Debenture is convertible into common shares of the Company ("Common Shares") at the option of the holder. The conversion price on the first advance of $1,000,000 is $0.065. The conversion price on the second advance of $500,000 is $0.085. At the election of the debenture holder, any accrued and unpaid interest may be converted into Common Shares at a conversion price equal to the Market Price (as such term is defined in the Polices of the TSXV) at the time of such conversion.

	March 31, 2020	**December 31, 2019**
Opening balance	$1,387,791	$ -
Undiscounted balance as at October 22, 2019	-	1,500,000
Less: effect of discounting using the incremental borrowing rate as at the date of initial application at 20%.	-	(137,500)
Discounted balance as at October 22, 2019	1,387,791	1,362,500
Accretion expense	33,570	25,291
Balance as end of period	$1,421,361	$1,387,791

During the period PowerBand Solutions US Inc., a U.S. based subsidiary of the Company entered into a non-brokered private placement of unsecured convertible debentures (the "Debentures") in the aggregate principal amount of USD $10 million with each Debenture having a face value of USD $10,000. The Debentures are to be closed in tranches with the first tranche of USD $1.5 million closing during the period. The Debentures mature on March 6, 2023 and bear interest at a rate of 9% per annum, payable monthly in cash. PowerBand US can prepay, on 30 days advance notice, all or any part of the principal and accrued but unpaid interest, at no penalty.

The Debenture holders, at any time during the term, shall have the option to exchange any number of its Debentures into (i) Common Shares of PowerBand US, and (ii) Common Shares of PowerBand's Canadian leasing division, on the basis of one Debenture for each of one Common Share of PowerBand US and one Common Share of PowerBand's Canadian leasing division. Assuming the conversion of all of the Debentures, D&P would hold 9% interest in PowerBand US and a 9% interest in PowerBand's Canadian leasing division.

In connection with the private placement, the Company issued 2,500,000 share purchase warrants, with a fair value of $180,546, entitling it to acquire common shares of the Company at an exercise price of $0.30 for a period of 24 months. The warrants were valued using the Black-Scholes option pricing model using the following assumptions:

Share price at grant date: $0.15
Risk free interest rate: 0.72%
Expected life of warrants: 2 years
Expected annualized volatility: 123%
Expected dividend yield: -
Black-Scholes value of each warrant: $0.07
As at March 31, 2020 the balance of the Debentures was $1,701,964 net of issuance costs.

(Expressed in Canadian dollars)

20. SEGMENTED REPORTING

Operating segments are components of an entity that engage in business activities from which they earned revenues and incur expenses the operations for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. During the three months ended March 31, 2020 the VP of Corporate Development served in the function of the Chief Operating Decision Maker (CODM). The VP of Corporate Development is responsible for allocating resources and assessing the performance of the following segments: Canadian operations and US operations.

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

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

	Three months ended March 31, 2020		
Revenue	Canada	USA (1)	Total
External revenues	$ 218,261	$ 14,180	$ 232,441
Inter-segment revenue	-		$ -
Total Revenues	$ 218,261	$ 14,180	$ 232,441

(1) MUSA Holdings LLC was acquried in July 2019. There were no US revenues in the three month period ended March 31, 2019.

	Three months ended March 31, 2020		
	Canada	USA	Total
Operating loss before other income	$ (688,289)	$ (1,824,930)	$ (2,513,219)
Interest in joint venture	(244,992)	-	(244,992)
Net loss for the period	$ (933,281)	$ (1,824,930)	$ (2,758,211)

	Three months ended March 31, 2020		
	Canada	USA	Total
Segment assets	$ 3,273,333	$ 6,624,753	$ 9,898,086
Segmented liabilities	3,446,153	9,690,572	13,136,725

(Expressed in Canadian dollars)

21. SEGMENTED REPORTING (continued)

Disaggregation of revenue

The significant majority of the Company's revenue is from contracts with customers. Space taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue. Space in the following table revenue is disaggregated by major lines of goods and services and timing of transfer of goods and services. Space the Company has determined that these categories depict how the nature amount timing and uncertainty of its revenue in cash flows are affected by economic factors. Space the table below also includes a reconciliation of the disaggregated revenue with the Company's reportable segments

	Three months ended March 31, 2020		
	Canada	USA	Total
Vehicle and auction sales	$ 200,300	$ -	$ 200,300
Software development sales	400,952		400,952
Lesaed vehicles	-	14,180	14,180
	$ 601,252	$ 14,180	$ 615,432

22. GOODWILL

Goodwill is recorded at cost less any reduction for impairment. Goodwill is tested for impairment on an annual basis or when evens occur that may indicate impairment. For this purpose, the Company considers both internal and external sources of information on a annual basis. The Company determine the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the Company's operations and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues, cost of sales estimated, and the discount rate. During the quarter ended March 31, 2020 the Company's goodwill was determined to not be impaired.

23. COVID-19

During the three month period ended March 31, 2020 there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Company has had minimal impact on its business from COVID-19

24. SUBSEQUENT EVENTS

Subsequent to the three month period ended March 31, 2020, the following corporate activities occurred:

1. On April 13, 2020 the Company closed on a further USD $1.2 million from Texas-based D&P Holdings, Inc., as part of the Convertible Debenture Agreement executed on March 6, 2020.

2. On April 16, 2020 the Company repaid a $350,000 loan, plus interest, from an arm's length third party.

3. On May 7, 2020 the Company closed on a further USD $600,000 from Texas-based D&P Holdings, Inc., as part of the Convertible Debenture Agreement executed on March 6, 2020.

4. On May 11, 2020 the Company repaid a $350,000 loan, plus interest, from an arm's length third party.

5. On May 27, 2020 the Company repaid a $250,000 loan, plus interest, from an arm's length third party.

6. On June 8, 2020 the Company closed on a further USD $2,7 million from Texas-based D&P Holdings, Inc., as part of the Convertible Debenture Agreement executed on March 6, 2020.

7. During the period the Company and D&P Holdings, Inc. amended and restated the convertible debenture agreement from $USD10.0 million to USD $6.0 million and on June 25, 2020 converted its entire investment of USD $6.0 million of PowerBand US debentures into an 9% ownership stake in both PowerBand US and the Company's Canadian financing and leasing division, DRIVRZ Financial Inc.

8. On July 13, 2020 the Company's U.S. leasing division, MUSA Auto Finance, LLC announced it had obtained up to USD $305 million in lease financing from a federally chartered U.S. depository financial institution to begin leasing vehicles to U.S. consumers. The USD $305 million will be rolled out in three phases: Phase One is USD $5 million, Phase Two USD $50 million, and Phase Three USD $250 million. The funding agreement includes conditions and guidelines that must be followed to move through the various phases. Once the credit facility has been utilized it will be securitized, resulting in the replenishing of the original USD $300 million.