POWERBAND SOLUTIONS INC.

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of PowerBand Solutions Inc.:

We have audited the consolidated financial statements of PowerBand Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in shareholder's equity (deficiency), and consolidated statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a loss during the year ended December 31, 2021 and as of that date, the Company had a deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shawn Mincoff.

MNP LLP

Ottawa, Ontario
May 2, 2022

Chartered Professional Accountants
Licensed Public Accountants

POWERBAND SOLUTIONS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	As at, December 31, 2021	As at, December 31, 2020
ASSETS			
Current assets			
Cash	7	**$ 6,367,533**	$ 1,403,213
Accounts receivable, net	8	**1,547,211**	1,297,425
Inventory	9	**7,000**	18,000
Other current assets	10	**1,141,756**	562,986
Total current assets		**9,063,500**	3,281,624
Non-current assets			
Property and equipment, net	12	**323,177**	426,093
Goodwill	13	**2,649,264**	2,660,549
Intangible assets, net	13	**4,790,511**	2,852,781
Right-of-use asset	14	**3,320,469**	3,912,622
Investment	11	**195,454**	636,600
Other non-current assets		**68,607**	68,899
Total non-current assets		**11,347,482**	10,557,544
Total assets		**$ 20,410,982**	$ 13,839,168
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	15, 22	**$ 5,104,785**	$ 3,171,728
Short term loan	16	**-**	254,640
Seller reserve provision		**84,404**	18,000
Due to related parties	22	**2,958,262**	4,611,421
Lease obligation - current portion	17	**689,443**	596,817
Government assistance	19	**60,000**	623,635
Debt - current portion	5	**2,167,438**	-
Total current liabilities		**11,064,332**	9,276,241
Non-current liabilities			
Lease obligation - long term portion	17	**3,074,743**	3,683,124
Long-term debt	5	**1,737,536**	-
Total non-current liabilities		**4,812,279**	3,683,124
Total liabilities		**15,876,611**	12,959,365
Shareholders' Equity (Deficiency)			
Share capital	20	**43,852,237**	18,932,553
Obligation to issue shares	5	**-**	59,935
Reserves	20	**5,896,184**	3,568,482
Other comprehensive income		**(73,789)**	(1,348)
Deficit		**(45,791,859)**	(23,257,282)
Total shareholders' equity (deficiency) attributed to owners		**3,882,773**	(697,660)
Non-controlling interest	21	**651,598**	1,577,463
Total shareholders' equity		**4,534,371**	879,803
Total liabilities and shareholders' equity		**$ 20,410,982**	$ 13,839,168

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

"Kelly Jennings" (signed)
Director

"Bill Butler" (signed)
Director

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

POWERBAND SOLUTIONS INC.
Consolidated Statements of Loss
(Expressed in Canadian Dollars)

Years Ended December 31,	2021	2020
Revenue		
Vehicle and auction sales	**$ 182,690**	$ 284,650
Software development sales (note 22)	**-**	1,304,813
Lease origination revenue	**23,151,353**	1,309,195
Subscription revenue	**602,945**	129,464
	23,936,988	3,028,122
Cost of goods sold		
Vehicle acquisition (note 9)	**165,773**	242,864
Software development	**-**	953,685
Lease acquisition	**12,038,357**	545,649
Subscription costs	**92,710**	19,590
	12,296,840	1,761,788
Gross Profit	**11,640,148**	1,266,334
Expenses		
Salaries and wages (note 19)	**7,759,475**	4,685,027
Professional fees (note 22)	**5,230,171**	3,701,369
Cost of finance	**124,377**	-
Share based compensation (note 20(f))	**2,469,810**	1,956,767
Investor relations	**459,133**	69,377
Regulatory fees	**300,727**	225,415
Insurance	**138,389**	177,143
Advertising and promotion	**2,187,884**	281,341
Rent expense	**9,388**	1,184
Office and sundry expenses	**1,196,794**	473,162
Travel expense	**382,616**	62,592
Utilities	**69,918**	65,867
Telephone	**56,866**	28,310
Interest and bank charges	**193,475**	376,577
Amortization of intangible assets (note 13)	**785,656**	675,138
Depreciation of tangible assets (note 12)	**168,910**	130,339
Depreciation of right of use assets (note 14)	**678,058**	705,824
Accretion (note 5, 17)	**633,544**	408,145
Provision for expected credit loss (note 8, 10)	**1,445,073**	376,985
Foreign exchange loss (gain)	**15,631**	(74,352)
	24,305,895	14,326,210
Loss from operations	**(12,665,747)**	(13,059,876)
Other income (expense)		
Gain (Loss) on debt settlement (note 20)	**152,000**	179,504
Unrealized loss on fair value adjustment (note 11)	**(3,676,881)**	-
Interest in joint venture (note 6)	**-**	(287,665)
	(3,524,881)	(108,161)
Loss before taxes	**(16,190,628)**	(13,168,037)
Income taxes		
Current recovery (expense) (note 27)	**-**	325,424
Net loss	**$ (16,190,628)**	$ (12,842,613)
Net loss attributable to:		
Equity holders of PowerBand Solutions Inc.	**$ (14,958,933)**	$ (9,969,232)
Non-controlling interest (note 21)	**$ (1,231,695)**	$ (2,873,381)
Basic and diluted net loss per share-Equity holders of PowerBand Solutions Inc.	**$ (0.085)**	**$ (0.085)**
Weighted average number of common shares outstanding - basic and diluted	**175,277,531**	116,808,546

POWERBAND SOLUTIONS INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

Years Ended December 31,	2021	2020
Net loss	**$ (16,190,628)**	$ (12,842,613)
Other Comprehensive income (loss)		
Loss on foreign currency translation	**(154,884)**	(113,127)
Total Comprehensive Income (loss)	**$ (16,345,512)**	$ (12,955,740)
Total comprehensive loss attributable to:		
Equity holders of PowerBand Solutions Inc	**$ (15,055,840)**	$ (10,039,693)
Non-controlling interest	**$ (1,289,672)**	$ (2,916,047)

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

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

Years Ended December 31,	2021	2020
Cash flows provided by (used in) operating activities		
Net loss for the year	**$ (16,190,628)**	$ (12,842,613)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Accretion on lease liability (note 17)	**242,763**	295,936
Accretion on loan (note 5)	**390,781**	112,209
Amortization of intangible assets (note 13)	**785,656**	675,138
Depreciation of tangible assets (note 12)	**168,910**	130,339
Depreciation of right of use assets (note 14)	**678,058**	705,824
Deferred income tax recovery (note 27)	**-**	(325,424)
Provision for expected credit loss (note 8, 10)	**1,445,073**	376,985
Foreign exchange loss (gain)	**68,890**	(14,363)
Interest on convertible note	**-**	91,049
(Gain) Loss on settlement of debt (note 20)	**(152,000)**	(179,504)
Loss on joint venture (note 6)	**-**	287,665
Unrealized loss (note 11)	**3,676,881**	-
Forgiveness of loans (note 19)	**(574,604)**	-
Share based compensation (note 20(f))	**2,469,810**	1,956,767
	(6,990,410)	(8,729,992)
(Increase) Decrease in:		
Accounts receivable	**(1,390,670)**	(792,705)
Inventory	**11,000**	182,365
Other current assets	**(1,123,508)**	46,576
Increase (Decrease) in:		
Accounts payable and accrued liabilities	**1,660,251**	1,398,868
Deferred revenue	**65,452**	(182,300)
Net cash used in operating activities	**(7,767,885)**	(8,077,188)
Cash flows provided by (used in) investing activities		
Purchase of property and equipment (note 12)	**(69,389)**	(260,556)
Addition to intangible asset (note 13)	**(2,739,929)**	(174,857)
Cash paid in acquisition, net of cash acquired	**-**	(604,606)
Purchase of investments in Drivrz Financial (note 5)	**(2,514,380)**	-
Purchase of investment in CB Auto (note 11)	**(2,532,900)**	(636,600)
Net cash used in investing activities	**(7,856,598)**	(1,676,619)
Cash flows provided by (used in) financing activities		
Private placements, net	**17,096,935**	400,000
Exercise of warrants and options	**6,323,431**	63,750
Proceeds from loan	**-**	381,612
Payment of loan	**(951,035)**	(450,000)
Payment of lease liability, net of deposits received (note 17)	**(843,853)**	(858,278)
Convertible debenture financing (note 18)	**-**	8,093,200
Proceeds from related parties	**4,238,479**	3,786,435
Payments to related parties	**(5,189,511)**	(1,090,974)
Proceeds from CEBA loan	**20,000**	40,000
Proceeds from paycheck protection program loan	**-**	615,448
Net cash provided by financing activities	**20,694,446**	10,981,193
Net change in cash	**5,069,963**	1,227,386
Effect of exchange rate changes on cash held in foreign currencies	**(105,643)**	(67,203)
Cash, beginning of year	**1,403,213**	243,030
Cash, end of year	**$ 6,367,533**	$ 1,403,213

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

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

	Number of issued and outstanding shares #	Share Capital $	Obligation to issue shares $	Reserves $	Equity component of convertible debenture $	Other comprehensive income $	Non-controlling interest $	Deficit $	Total Shareholders equity $
Balance December 31, 2019	**105,764,042**	**16,217,356**	**124,184**	**1,445,074**	**101,062**	**10,741**	**268,927**	**(19,576,102)**	**(1,408,758)**
Private placements	6,153,846	400,000	-	-	-	-	-	-	400,000
Exercise of warrants	275,000	41,250	-	-	-	-	-	-	41,250
Exercise of options	225,000	36,448	-	(13,948)	-	-	-	-	22,500
Shares issued to 2019 Acquisition of Drivrz Holdings LLC	900,000	64,249	(64,249)	-	-	-	-	-	-
Restricted share units issued	950,000	223,250	-	-	-	-	-	-	223,250
Shares issued for acquisition of Intellacar Solutions LLC	2,000,000	450,000	-	-	-	-	1,337,058	-	1,787,058
Shares issued for convertible debentures	21,266,968	1,500,000	-	101,062	(101,062)	-	-	-	1,500,000
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	-	-	-	1,824,136	-	-	-	-	1,824,136
Disposition of equity interest in subsidiary on conversion of debenture	-	-	-	-	-	-	-	9,233,949	9,233,949
Capital contributions made on behalf of non-controlling interest	-	-	-	-	-	-	2,884,908	(2,884,908)	-
Change in non-controlling interest due to conversion of debenture	-	-	-	-	-	-	60,989	(60,989)	-
Foreign currency translation	-	-	-	-	-	(12,089)	(101,038)	-	(113,127)
Loss for the year	-	-	-	-	-	-	(2,873,381)	(9,969,232)	(12,842,613)
Balance, December 31, 2020	137,534,856	18,932,553	59,935	3,568,482	-	(1,348)	1,577,463	(23,257,282)	879,803
Balance December 31, 2020	**137,534,856**	**18,932,553**	**59,935**	**3,568,482**	**-**	**(1,348)**	**1,577,463**	**(23,257,282)**	**879,803**
Private placements	37,063,952	18,075,901	-	-	-	-	-	-	18,075,901
Share issues costs	-	(1,596,365)	-	617,399	-	-	-	-	(978,966)
Warrants issued	-	-	-	449,275	-	-	-	-	449,275
Broker warrants issued with private placement	-	(43,622)	-	43,622	-	-	-	-	-
Shares issued for debt	800,000	848,000	-	-	-	-	-	-	848,000
Restricted share units issued	525,000	111,125	-	(111,125)	-	-	-	-	-
Exercise of warrants	12,779,002	5,014,980	-	(110,944)	-	-	-	-	4,904,036
Exercise of options	8,624,250	2,449,730	-	(1,030,335)	-	-	-	-	1,419,395
Shares issued for 2019 Acquisition of MUSA Holdings Inc. (Drivrz Financial)	900,000	59,935	(59,935)	-	-	-	-	-	-
Acquisition of equity interest in subsidiary	-	-	-	-	-	24,466	(122,075)	(5,812,867)	(5,910,476)
Equity interest in subsidiary	-	-	-	-	-	-	-	(1,276,895)	(1,276,895)
Share based compensation	-	-	-	2,469,810	-	-	-	-	2,469,810
Capital contributions made on behalf of non-controlling interest	-	-	-	-	-	-	485,882	(485,882)	-
Foreign currency translation	-	-	-	-	-	(96,907)	(57,977)	-	(154,884)
Loss for the year	-	-	-	-	-		(1,231,695)	(14,958,933)	(16,190,628)
Balance, December 31, 2021	198,227,060	43,852,237	-	5,896,184	-	(73,789)	651,598	(45,791,859)	4,534,371

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 cloud-based transaction platform to buy, sell, trade, finance and lease new and used vehicles, which includes real time appraisal services, market information and financing solutions.

These consolidated financial statements ("financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of $16,190,628 (December 31, 2020 - $12,842,613), of which $1,231,695 (December 31, 2020 - $2,873,381) was attributed to the non-controlling interest during the year ended December 31, 2021, and as of that date, the Company had a deficit of $45,791,859 (December 31, 2020 - $23,257,282).

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. Management acknowledges that these factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statements of loss and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

These 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 considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

As described in Note 28, subsequent to the year ended December 31, 2021, the Company received gross proceeds of $448,465 from exercise of stock options and warrants and an advance of $1,125,138 from a related party. The Company has a detailed business plan for 2022 which provides different options on capital expenditures depending on the level of funding available. The Company is currently implementing various strategies.

These consolidated financial statements were approved by the Board of Directors for issuance on April 20, 2022.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements, including comparatives have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the year ended December 31, 2021.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION - (continued)

b) Basis of consolidation

The consolidated financial statements of Powerband Solutions Inc. include the accounts of the Company and its subsidiaries made up to 31 December each year:

Legal Entity	Location	Ownership-2021	Ownership-2020
Powerband Solutions Global Dealer Services Inc.	Canada	100%	100%
Powerband Solutions Inc.	Canada	100%	100%
DRIVRZ Financial Inc.	Canada	73.62%	73.62%
2744915 Ontario Inc.	Canada	51%	51%
Powerband Solutions US Inc.	USA	91%	91%
(1) Drivrz Financial Holdings, LLC (formerly MUSA Holdings LLC)	USA	94.60%	54.60%
PBX Holdings LLC	USA	91%	91%
DRIVRZ US LLC	USA	65.52%	65.52%
(2) IntellaCar Solutions LLC	USA	60.00%	39.31%

(1) Effective April 28, 2021, increased to 94.6% from 54.60%
(2) Effective July 1, 2021 increased to 60% from 39.31%

The above subsidiaries are directly controlled by the Company and are fully consolidated. All intercompany balances, transactions and income are eliminated.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of loss and comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

c) Basis of measurement

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. All amounts presented have been rounded to the nearest dollar.

COVID-19
It has been nearly two years since the World Health Organization declared the outbreak of COVID-19 a global pandemic on March 11, 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize the financial markets. A critical estimate for the Company is to assess the impact of the pandemic on the recoverability of long-lived assets, accounts receivable, goodwill, intangible assets as well as the availability of future financing in assessing the going concern assumption. The Company has experienced work stoppages and delays due to the ongoing COVID-19 pandemic on some projects in FY 2020 however this was countered with significant growth in business operations during FY 2021. The Company has taken advantage of government incentives as disclosed in Note 19.

2 BASIS OF PREPARATION - (continued)

d) Foreign currency

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statements of loss.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The functional currencies of the Company and its subsidiaries are as follows:

Legal Entity	Functional currency
Powerband Solutions Global Dealer Services Inc.	Canadian dollar
Powerband Solutions Inc.	Canadian dollar
DRIVRZ Financial Inc.	Canadian dollar
2744915 Ontario Inc.	Canadian dollar
Powerband Solutions US Inc.	US dollar
Drivrz Financial Holdings LLC (formerly MUSA Holdings LLC)	US dollar
PBX Holdings LLC	US dollar
DRIVRZ US LLC	US dollar
IntellaCar Solutions LLC	US dollar

Foreign operation

The results and financial position of the Company's foreign operation in the Unites States are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position.
(ii) Income and expenses for the consolidated statements of loss and the consolidated statements of comprehensive loss are translated at average exchange rates.
(iii) All resulting exchange differences are recognized in other comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these consolidated financial statements are set out below:

Revenue recognition

The Company applies IFRS 15 to revenue streams. The Company recognizes revenue in a manner that depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services, applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue when, or as, the Company satisfies a performance obligation.

Specific revenue items are as follows:

(a) Vehicle and auction sales - The Company sells used vehicles to customers in Canada and to a United States based related party to facilitate sales through a digital auction. The transaction price for a vehicle sale is determined with the customer at the time of sale. When a vehicle is sold, control is transferred at a point in time upon delivery of the vehicle to the customer and transfer of ownership title, which is generally at time of sale.

(b) Subscription revenue - The Company generates sales from monthly subscriptions for access to it's software platform, which allows customers to use hosted software over the contract period without taking possession of the software. The performance obligation is fulfilled monthly for the usage of the platform, commencing on the date an executed contract exists and the customer has the right-to-use and access to the platform. Dealers use this access to facilitate the purchase of vehicles. Non-customised software is supplied under licences with fixed terms from three months to one year with renewal options which convey a right to use software as it exists at the start of the licence period.

(c) Software development sales - The Company sells development services to users of the software application that request customized modifications to the software. These customizations are developed by both in house and third-party developers. The performance obligations relating to the software development services are satisfied at a point in time when the customer can benefit from the services, which occurs when the development is completed.

(d) Lease origination revenue - The Company, through the flow lease arrangement, leases vehicles to customers primarily through dealer relationships. The leases are sold to financial institutions within three business days and the ownership is transferred to the financial institutions. The Company is considered as an agent at the time of the lease origination as the Company obtains legal title to the lease only momentarily, through flow lease arrangement, before legal title is transferred to the financial institution. The Company earns a lease acquisition fee as stated in the lease contract with the customer.

The Company is considered as a principal on the sale of the lease to the financial institution as the Company has the discretion to select the financial institution and establish the price at which the lease will be sold to the financial institution and therefore has the ability to obtain substantially all the remaining benefits of the lease contract entered into with the customer. The Company earns a gain on the sale of the lease and recognizes revenue in the gross amount of consideration when the lease is transferred to the financial institution and the performance obligation is satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The revenue from lease acquisition fee income and gain on sale is recognized as lease origination revenue upon sale of the lease when control and ownership is transferred to the financial institutions. The Company performs an assessment of the probability that the gain on sale revenue earned may be reversed in the subsequent period. The estimate is based on the probability that a customer entering into the leasing arrangement will not make the required payments which results in the customer being in default and therefore triggers a claw back on the gain on sale revenue earned.

The Company also executes a service relationship with the financial institutions. The service fees from the service contracts entered into with the financial institutions are recorded as revenue as the performance of the service is completed. The performance obligation is to collect monthly lease payments on behalf of the financial institution from the customers over the lease term. The Company records the loan servicing fees based on the average net book value of the leased vehicle, at a point in time, on a monthly basis as the performance obligation is met.

The Company applies the practical expedient available under IFRS 15.63 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. In obtaining these contracts, the Company incurs a number of incremental costs, such as commissions paid to vehicle dealership. As the amortization period of these costs, if capitalized, would be less than one year, the Company makes use of the practical expedient in IFRS 15.94 and expenses them as they incur.

When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the consolidated statement of financial position under other liabilities.

Cost of sales

Cost of sales primarily includes the cost to acquire used vehicles, lease acquisition costs paid to dealers and the cost of providing subscriptions.

Seller reserve provision

Seller reserve provision relates to payments received on account of services rendered, in the event a customer defaulted in lease payment in the future and recourse action need to be taken or deposits on vehicles to be delivered.

Earnings (loss) per common share

Basic earnings (loss) per common share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share reflects the potential dilution of common shares equivalents, such as outstanding stock options, warrants and restricted share units (“RSU”), in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of outstanding stock options for purchase of common shares at the average market price during the period. For the periods recording a loss, basic and dilutive figures are the same, as the exercise of all stock options, warrants and RSUs would be anti-dilutive.

Research and development

Research and development costs are expensed as incurred except for costs associated with intangible assets that. are in the development stage.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development (continued)

Development activities involve a plan or design for the creation of new or substantially improved platform and processes. Development expenditures are capitalized, as Web platform additions, only when technical feasibility of the product or service is demonstrated, the Company has an intention and ability to complete and use the software, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development, and the costs can be measured reliably. Such costs include purchases of materials and services, and direct payroll-related costs of employees and contractors involved in the project.

Capitalized development expenditures will be amortized over the useful life, once the platform is available for use and are measured at cost less accumulated amortization and accumulated impairment losses. The development expenditures not yet available for use are assessed for impairment annually.

Government grants

A government grant is recognized if there is reasonable assurance that it will be received and that the Company will comply with the conditions associated with the grant. If the conditions are met, the Company recognizes the grant in the consolidated statements of loss on a systematic basis in line with its recognition of the expenses the grant is intended to compensate. For grants related to income, a company can elect to either offset the grant against the related expenditure or include it in other income. Government grants received by the Company during the period which are accounted for as government grants related to income are offset against the related expenditures the grant is intended to compensate.

For grants related to assets, a company can elect to either recognize the grant as deferred income or deduct the amount from the carrying value of the assets. Government grants received by the Company during the period which are accounted for as government grants related to assets are recorded as a reduction of the cost of the related asset.

Financial instruments

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently reclassified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash, accounts receivable and investments are measured at amortized cost with subsequent impairments recognized in the consolidated statements of loss.

Impairment of financial assets
An ‘expected credit loss’ (“ECL”) impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss for the period.

Financial assets carried at amortized cost are assessed at each reporting date on whether they are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company applies expected credit loss approach in determining provisions for financial assets carried at amortized cost. The approach that the Company has taken for accounts receivable is a provision matrix approach whereby expected credit losses are recognized based on aging characterization and credit worthiness of the customer. Specific provisions may be used where there is information that a specific customer's expected credit losses have increased. The specific accounts are only written off once all collection avenues have been explored or when legal bankruptcy has occurred. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information. The credit risk on a financial asset is considered to have increased significantly if it is uninsured and if it is more than 90 days past due. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and expensed in the consolidated statements of loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statements of loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment had not been recognized.

<u>Financial liabilities</u>
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, loan, lease obligation and due to related parties are classified as other financial liabilities and carried on the consolidated statements of financial position at amortized cost. As at December 31, 2021, the Company does not have any derivative financial liabilities.

Cash

Cash includes cash on deposit in Canadian and US chartered banks and are subject to negligible risk of changes in value, cash held in trust with the legal council and restricted cash to secure a repurchase amount and a security interest in any other deposit accounts with investor. The Company maintains no cash equivalents which can readily be redeemed for cash or are issued for terms of ninety days or less from the date of acquisition.

Inventory

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.

Property and equipment

Upon initial acquisition, property and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. In subsequent periods, property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Each component or part of property and equipment with a cost that is significant in relation to total cost of the item will be depreciated separately unless there is no difference in depreciation on the respective components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation

Property and equipment related to operations are depreciated using the straight-line method based on their estimated useful lives. Where significant parts of an asset have differing useful lives, depreciation is calculated on each separate part. The estimated useful life of each item or part has due regard to both its own physical life limitations and the present assessment of economical recoverability, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates which affect depreciation are accounted for prospectively. The expected useful lives are as follows:

Furniture, fixtures and equipment	5 years straight line
Computer equipment / Software	3 years straight line
Leasehold improvement	8.5 years straight line

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company's web platform is being amortized on a straight-line basis over five years.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated statements of loss in the period in which it is incurred. IAS 38:118(b) *"Intangible Assets"* Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful life of the internally generated intangible asset is determined through the exercise of management's judgment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statements of loss when the asset is derecognized.

At each reporting date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statements of loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Intellectual property, Trademarks, Customer base and other intangible assets
Intellectual property, trademarks, customer base and other intangible assets_with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company's Intellectual property, trademarks, customer base and other intangible assets is being amortized on a straight-line basis over five years.

Goodwill
Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Goodwill, intangible assets that have an indefinite useful life are not subject to amortization and intangible assets that are not ready for use are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture. When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the net investment in joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in joint ventures (continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statements of loss in the period in which the investment is acquired. The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a joint venture.

Profits and losses resulting from upstream and downstream transactions between the Company and its investment are recognised in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated, and accounting policies of equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments in equity instruments that are not held for trading are designated as FVTOCI and are measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead it is transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Leases and right to use assets

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 assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statements of loss on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability and makes a corresponding adjustment to the related ROU asset whenever:

- the lease term has changed;
- the lease payments change due to changes in an index;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases and right to use assets (continued)

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

ROU assets and the lease liability is presented separately in the consolidated statements of financial position.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statements of loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not applied this practical expedient to any of its leases and has separated out non-lease components.

Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the bond. The conversion option classified as equity is determined as the residual amount after deducting the fair value of the liability component from the total proceeds. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity. No gain or loss is recognized in the consolidated statement of loss upon conversion or expiration of the conversion option.
Transaction costs that relate to the issue of the convertible debenture are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amounts recognized as a provision are the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. Where the Company expects reimbursement associated with a provision, the reimbursement is recognized as an asset if and when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, warrants or options are recognized as a deduction from equity, net of tax.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital (continued)

Valuation of equity units issued in private placements
The Company has adopted a residual value method with respect to the measurement of shares and share purchase warrants issued as private placement units. The residual method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurement component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at the fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached share purchase warrants. Any fair value attributable to the share purchase warrants is recorded to reserves.

Share-based payments
The Company issues stock options to directors, consultants and employees pursuant to its stock option plan. The compensation expense for the share-based payments is determined based on the fair value at the grant date using the Black-Scholes option-pricing model and is recorded in the statement of operations over the stock option vesting period. Management uses judgment to determine the inputs to the Black-Scholes option-pricing model including the expected award lives and underlying share price volatility. Volatility is estimated by considering the Company's historic share price volatility over similar periods to the expected life of the awards under consideration. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in the consolidated statements of loss. The resulting fair value is then adjusted for an estimated forfeiture amount. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are different to that estimated on vesting. When stock options are exercised, any consideration paid by directors, consultants and employees, as well as the related share-based compensation, is credited to share capital.

Agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

The Company issues Restricted Share Units ("RSU") to directors, consultants and employees pursuant to its RSU plan. The Company measures the cost of equity-settled share-based transactions by reference to the fair value of the equity instruments at the date at which they are granted and is recorded in the consolidated statements of loss over the vesting period.

Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss and are accounted for using the liability method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

In assessing the probability of realized income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets or liabilities and their corresponding tax bases. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Non-controlling interests

When the proportion of the equity held by non-controlling interests' changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received and attribute it to the shareholders of the Company.

Business combinations and acquisition of non-controlling interests

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognized in the consolidated statements of loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and acquisition of non-controlling interests (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New Accounting Standards and recent pronouncements

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date.

<u>Property, plant and equipment (Amendments to IAS 16)</u>

IAS 16, Property, plant and equipment has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is in the process of evaluating the impact of adoption of this standard on its consolidated financial statements.

<u>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</u>

IAS 1 Presentation of Financial Statements has been revised to incorporate amendments issued by the IASB in January 2020. The amendments clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

Share-based payment
The Company provides incentives via share-based payment entitlements (Note 20). The fair value of entitlements is determined in accordance with the accounting policy. If certain assumptions used in the fair value calculation were to change, there would be an impact on the share-based payment expenses recognized in the current period.

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

Impairment of long-lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible or intangible asset, and the appropriate discount rate. During the years ended December 31, 2021 and December 31, 2020, the Company's intangible assets were determined to not be impaired.

Impairment of goodwill

The Company performs an assessment of its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the Company's operations and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the years ended December 31, 2021 and December 31, 2020, the Company's goodwill was 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 liabilities fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities and the determination of a bargain purchase gain on acquisition, if any. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Leases

Critical judgments in determining the lease term

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

Lease origination revenue claw backs

A portion of the lease origination revenue is subject to claw backs in the event of early termination, default, or prepayment by the end-customers. The Company's exposure for these events is limited to the fees that it receives. An estimated refund liability for claw backs against the revenue recognized for lease origination is recorded in the period in which the related revenue is recognized and is based on the Company's historical claw back experience. The Company updates its estimates at each reporting date. During the year ended December 31, 2021, the Company recorded $403,627 (December 31, 2020 - $nil) as a provision for claw back.

Convertible debentures

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

Provision for expected credit losses

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

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

Loans to Related Parties

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

Fair value of convertible note

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Fair value of investments in private companies

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

Interest in other entities

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

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

5. BUSINESS COMBINATION AND ACQUISITIONS

Acquisitions in 2019 and 2021

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

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 subsequently issued 900,000 common shares of Powerband Solutions Inc. to DRIVRZ 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 DRIVRZ from July 17, 2019 onwards.

(Expressed in Canadian dollars)

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

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

Consideration	Shares issued	Consideration USD	Consideration CAD
Cash	-	$ 300,000	$ 391,590
Issued on July 17, 2019	2,500,000	181,951	237,500
Issued on July 17, 2020	900,000	49,222	64,249
Issued on July 17, 2021	900,000	45,917	59,935
Total consideration		**$ 577,090**	**$ 753,274**

(i) Of the 2,500,000 common shares, 2,500,000 have a hold period expiry date of December 1, 2019 and are subject to a restriction as per the Agreement.

(ii) Common shares 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 assumptions:

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 yield	0%	0%

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

Description	Amount $CAD
Total purchase consideration of DRIVRZ	$ 753,274
Net working capital assumed	(449,125)
Lease receivable	289,450
Property and equipment	357,161
Right of use asset	4,696,888
Deposits	147,894
Intangibles – Intellectual property	989,357
Goodwill	172,593
Lease liability	(4,696,888)
Deferred income tax liability	(251,871)
Non-controlling interest	(502,185)
Total net assets acquired	**$ 753,274**

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

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

(Expressed in Canadian dollars)

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

On April 28, 2021, the Company executed the Agreement to acquire additional 40% of DRIVRZ for consideration of USD$5,500,000 in cash. At closing USD$1,000,000 ($1,240,050 CAD) and on October 1, 2021, US$1,000,000 ($1,274,330 CAD) was paid and the balance which is non-interest bearing is payable in installments by October 1, 2023. As of December 31, 2021 an amount of USD$3,500,000 is payable. The investment is measured at fair value on initial recognition based on the fair value of the consideration given. The fair value of the debt of USD$4,768,366 is determined using an effective interest rate of 13.80%, taking into account the rate that the Company would have obtained a similar debt. The present value of the loan at December 31, 2021 is $3,904,973 and interest accretion of $390,781 (December 31, 2020 - $nil) was recorded for the year ended December 31, 2021. The balance is reported as, current portion of $2,167,438 and long-term portion of $1,737,535. The fair value of consideration paid including any difference in the amount of non-controlling interest is recognized in the consolidated statement of shareholders equity, attributed to the parent, as acquisition of equity interest in subsidiary.

Acquisitions in 2020

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

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. The fair value of the promissory note was determined using an effective interest rate of 12.284%.

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

Consideration	Shares issued	Consideration USD	Consideration CAD
Cash	-	$ 500,000	$ 665,100
Issued on Oct 28, 2020	2,000,000	383,401	510,000
Fair value of promissory notes		968,849	1,288,763
Total consideration		**$ 1,852,250**	**$ 2,463,863**

The common shares were valued based on the market price on October 28, 2020.

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

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

Description	Amount $CAD
Total purchase consideration	$ 2,463,863
Net working capital assumed	(14,478)
Intangibles – Intellectual property	361,814
Intangibles – Tradename	850,397
Intangibles – Customer base	25,274
Intangibles - Other	297,832
Goodwill	2,602,500
Deferred income tax liability	(322,417)
Non-controlling interest	(1,337,059)
Total net assets acquired	**$ 2,463,863**

Goodwill has been provided in the transaction based on estimates of future earnings of INTELLACAR, including synergies associated with the positioning of the combined company. The additions of deferred tax liability pertaining to increase in value of intangible asset from recording it at fair value is computed at the applicable tax rate of 21%.

In December 2020, after the acquisition on October 28, 2020, a disposition of interest in the controlled entity reduced the Company's interest to 39.1%. On July 1, 2021, an internal restructure was done whereby the Company's interest in INTELLACAR changed from 39.1% to 60% and the Company continues to exercise control over the entity at December 31, 2021 and 2020.

6. INTEREST IN JOINT VENTURE

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

The Company owns 50% of the voting shares and 50% of the net assets of D2DAA. During the year ended December 31, 2021 D2DAA incurred losses of $2,276,648 (December 31, 2020 - $1,704,809). The Company recognized losses up to the amount of investment balance of $nil (2020 - $287,665) and had foreign exchange losses of $nil (December 31, 2020 - $19,442) resulting in an Interest in Joint Venture in Canadian dollar equivalent of $nil at December 31, 2021 (December 31, 2020 - $nil). Since the Company's share of losses in the joint venture exceeds the interest in that joint venture, the Company has discontinued recognizing any further share in the losses.

(Expressed in Canadian dollars)

7. CASH

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

	December 31, 2021	December 31, 2020
	$	$
Cash at Canadian bank on hand	1,770,935	99,300
Cash at American bank on hand**	3,312,868	1,303,913
Cash held in Trust with lawyer	1,283,730	-
	6,367,533	1,403,213

**Includes restricted cash of $336,350 (December 31, 2020 - $260,383) based on terms of the agreement with financial institutions.

8. ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
	$	$
Accounts receivable	2,798,759	1,674,410
Less: Expected credit loss	(1,251,548)	(376,985)
	1,547,211	1,297,425

The expected credit loss of $874,563 for the current year relates to one customer and the prior year expected credit loss of $376,985 was determined using provision matrix.

9. INVENTORY

Vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. In determining 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 year ended December 31, 2021, $165,773 (December 31, 2020 - $242,864) of vehicles were included in Cost of Goods Sold.

10. OTHER CURRENT ASSETS

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 was being held in trust at December 31, 2020, 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 transaction was closed on July 16, 2021 and the license has been transferred to DRIVRZ Financial Inc. and the entire purchase price of $450,000 has been reported as intangible assets and amortized on a straight-line basis over five years. The fair value of the gross assets acquired is concentrated in a single identifiable asset and has no input or substantive process, therefore Company has determined that this transaction represented an asset purchase.

(Expressed in Canadian dollars)

10. OTHER CURRENT ASSETS (continued)

The other current assets also include amounts advanced by the Company on November 29, 2021, December 14, 2021 and December 21, 2021 total amount of $570,510 to a third party due and payable within 60 days, and can be amended by written consent of both parties, interest free under a general security agreement. An expected credit loss was recorded for the total amount of $570,510 included in expected credit loss line-item in the consolidated statements of loss.

	December 31, 2021	**December 31, 2020**
	$	$
Employee retention credit (note 19)	751,888	-
Prepaid expenses	236,111	76,652
Deposits	2,880	354,640
HST receivable	150,877	131,694
Other receivable	570,510	-
	1,712,266	562,986
Less: Expected credit loss	(570,510)	-
	1,141,756	562,986

11. INVESTMENT

On July 18, 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 $nil (December 31, 2020 - US$200,000 ($254,640 CAD)) was made by the Company. On May 13, 2021, the deposit was exchanged for 10% secured convertible notes payable in Rego Payment Architectures Inc., a Delaware corporation with maturity date of October 31, 2022. The investment was recorded at fair value of US$154,168 ($195,454 CAD) including the amount of interest accrued as of December 31, 2021. An unrealized loss of $58,106 (December 31, 2020 - $nil) was recorded for the year ended December 31, 2021.

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. On July 16, 2021, a third amendment to the Share purchase agreement was executed, that reduced the aggregate amount that the Company will pay for the shares in CB Auto Group to US$2,500,000 and will reduce the aggregate number of shares that CB Auto Group will issue to the Company to 810,811 shares which represent 7.5% of the total issued and outstanding shares of CB Auto Group as of the amendment effective date.

During the year ended December 31, 2021, the Company made payment of US$2,000,000 ($2,532,900 CAD) and as of December 31, 2021, total payments of US$2,500,000 ($3,169,500 CAD) (December 31, 2020 - US$500,000 ($636,600 CAD)) and has issued 750,000 share purchase warrants. Each warrant is exercisable at $0.30 per warrant share to acquire one common share of the Company for a period of 36 months following the date of their issuance. The warrants were valued using black scholes calculator with risk free interest rate of 0.62%, volatility of 115%, was valued at $449,275 and recorded as unrealized loss on fair value adjustment in the consolidated statements of loss. The total amount of the investment was $3,618,775.

(Expressed in Canadian dollars)

11. INVESTMENT (continued)

This is considered as a non-marketable equity investment and the Company does not exercise significant influence with respect to this investment. The primary reason for this investment is to get access to the Alumni and Union members to give them the option to purchase, sell or finance a vehicle using the DrivrzXchange platform. At December 31, 2021, the Company measured the fair value of the investment using the income approach by discounting cash flows from the investee to a present value at a rate that represents the time value of money and the relative risks of the investment.

At December 31, 2021, the Company has recorded the full amount of the investment of $3,618,775 as unrealized loss on fair value adjustment in the consolidated statements of loss.

12. PROPERTY AND EQUIPMENT

	Furniture fixtures and equipment	Computer equipment	Leasehold improvements	Software	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2019	339,064	7,147	8,509	-	354,720
Additions	-	6,218	-	254,338	260,556
Currency translation adjustment		(322)		(12,490)	(12,812)
Balance at December 31, 2020	339,064	13,043	8,509	241,848	602,464
Additions	-	69,389	-	-	69,389
Currency translation adjustment	(3,346)	309	(139)	(219)	(3,395)
Balance at December 31, 2021	335,718	82,740	8,370	241,629	668,458
Accumulated depreciation					
Balance at December 31, 2019	40,140	5,347	545	-	46,032
Depreciation	84,086	2,724	1,136	42,393	130,339
Balance at December 31, 2020	124,226	8,071	1,681	42,393	176,371
Depreciation	78,505	10,193	1,060	79,152	168,910
Balance at December 31, 2021	202,731	18,264	2,741	121,545	345,281
Net book value					
Balance at December 31, 2020	214,838	4,971	6,828	199,456	426,093
Balance at December 31, 2021	132,987	64,476	5,629	120,085	323,177

13. INTANGIBLE ASSETS AND GOODWILL

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, 2020 an additional $174,857 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 October 28, 2020, the Company through its subsidiary DRIVRZ US LLC acquired 60% of IntellaCar Solutions LLC and the intangible assets identified from the transaction has been capitalized. See Note 5.

On December 21, 2020, the Company acquired a Software containing a codebase for a customer retailing interface that can be accessed from an automobile dealership's website that allows for the storage of dealer inventory and various development tooling for USD$200,000 ($254,640 CAD). This is amortized on a straight-line basis over five years from the date the Software is in use.

(Expressed in Canadian dollars)

13. INTANGIBLE ASSETS AND GOODWILL (continued)

Development cost

As at December 31, 2021, the Company has the following product technologies that are in the development stage:

a) The Company's subsidiary is developing a digital shopping application, DrivrzLane, that can be embedded on a dealer website or on an inventory listing site that lets customers select the right vehicle. The Company has capitalized total cost of $773,653 (December 31, 2020 - $nil) on this project as of December 31, 2021.
b) The Company and its joint venture partner D2DAA are developing a consumer-focused platform DrivrzXchange that is an inclusive multi-sided marketplace that allows buyers and sellers of all types to list and/or find vehicles. The Company has capitalized total cost of $808,523 (December 31, 2020 - $nil) on this project as of December 31, 2021.
c) The Company's subsidiary is developing a modern alternative platform for lenders to both loan and lease vehicles and that will support multiple lenders with a single codebase. The Company has capitalized total cost of $707,753 (December 31, 2020 - $nil) on this project as of December 31, 2021.

The following table summarizes the movements in Intangible Assets:

	Web platform	Customer base	Intellectual property	Trademarks	License	Other	Development cost	Total
	$	$	$	$	$	$	$	$
Cost								
Balance at December 31, 2019	1,981,737	60,000	986,142	-	-	-	-	3,027,879
Additions	174,857	-	254,640	-	-	-	-	429,497
Additions from business acquistion (note 5)		25,274	361,814	850,397	-	297,832	-	1,535,317
Disposals	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	(36,620)	(36,440)	-	(12,763)	-	(85,823)
Balance at December 31, 2020	2,156,594	85,274	1,565,976	813,957	-	285,069	-	4,906,870
Additions	-	-	-	-	450,000	-	2,289,929	2,739,929
Disposals	-	-	-	-	-	-	-	-
Currency translation adjustment	-	(1,186)	(4,653)	(3,452)	-	(1,209)	-	(10,500)
Balance at December 31, 2021	2,156,594	84,088	1,561,323	810,505	450,000	283,860	2,289,929	7,636,299
Accumulated amortization								
Balance at December 31, 2019	1,281,089	16,000	98,443	-	-	-	-	1,395,532
Amortization	407,948	12,806	217,750	27,132	-	9,502	-	675,138
Currency translation adjustment	-	-	(16,581)	-	-	-	-	(16,581)
Balance at December 31, 2020	1,689,037	28,806	299,612	27,132	-	9,502	-	2,054,089
Amortization	199,139	16,763	308,349	160,273	45,000	56,132	-	785,656
Currency translation adjustment	-	51	3,679	1,713	-	600	-	6,043
Balance at December 31, 2021	1,888,176	45,620	611,640	189,118	45,000	66,234	-	2,845,788
Net book value								
Balance at December 31, 2020	467,557	56,468	1,266,364	786,825	-	275,567	-	2,852,781
Balance at December 31, 2021	268,418	38,468	949,683	621,387	405,000	217,626	2,289,929	4,790,511

Goodwill

Goodwill of $172,593 (US$133,183) arose in 2019, when the Company acquired DRIVRZ and $2,490,980 (US$1,956,472) in 2020 from acquisition of IntellaCar Solutions. (see note 5) For impairment testing purposes, the goodwill is allocated to the respective cash-generating unit ("CGU"). The Company assessed goodwill for impairment based on its value in use. To determine value in use, the Company used the 2022 budget and 2023 to 2026 forecasts for each of the CGU's, using an estimated long-term revenue and variable cost growth rate of 10% to 50% and taking into account the working capital and capital investments to maintain the condition of the assets of each CGU. The resulting forecasted cash flows were discounted using pretax rates of 15% to 25% which reflects the time value of money and risk associated with the business. Based on this assessment, the goodwill attributed to each CGU was not impaired at December 31, 2021.

(Expressed in Canadian dollars)

13. INTANGIBLE ASSETS AND GOODWILL (continued)

	DRIVRZ	INTELLACAR	TOTAL
	$	$	$
Balance at December 31, 2019	172,593	-	172,593
Goodwill on acquisition of INTELLACAR	-	2,490,980	2,490,980
Currency translation adjustment	(3,024)	-	(3,024)
Balance at December 31, 2020	169,569	2,490,980	2,660,549
Currency translation adjustment	(720)	(10,565)	(11,285)
Balance at December 31, 2021	168,849	2,480,415	2,649,264

14. RIGHT OF USE ASSETS

	Canada	**USA**	**Total**
Cost	$	$	$
Balance as at December 31, 2019	355,380	4,678,322	5,033,702
Currency translation adjustment	-	(96,940)	(96,940)
Balance as at December 31, 2020	355,380	4,581,382	4,936,762
Additions	108,340	-	108,340
Currency translation adjustment	-	(19,431)	(19,431)
Balance as at December 31, 2021	463,720	4,561,951	5,025,671
Accumulated depreciation			
Balance as at December 31, 2019	(78,974)	(282,051)	(361,025)
Depreciation	(78,974)	(626,850)	(705,824)
Currency translation adjustment	-	42,709	42,709
Balance as at December 31, 2020	(157,948)	(866,192)	(1,024,140)
Depreciation	(92,825)	(585,233)	(678,058)
Currency translation adjustment	-	(3,004)	(3,004)
Balance as at December 31, 2021	(250,773)	(1,454,429)	(1,705,202)
Net carrying amount			
At December 31, 2020	197,432	3,715,190	3,912,622
At December 31, 2021	212,947	3,107,522	3,320,469

The Company leases property for its office in Canada and USA, which has been capitalized as a right-of-use asset under IFRS 16. See Note 17 for associated lease liability. In 2021 a leased vehicle and office space was capitalized as a right-of-use asset.

(Expressed in Canadian dollars)

15. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
	$	$
Trade payables	2,419,651	1,531,289
Accrued liabilities	2,685,134	1,640,439
	5,104,785	3,171,728

16. SHORT TERM LOAN

On December 11, 2019, the Company entered into a loan agreement (the “Loan”) with an arm’s length third party to borrow $100,000 at a rate of 9% per annum, calculated monthly, and to mature in two months. This loan was paid in full in 2020.

On January 14, 2020, the Company entered into a loan agreement (the “Loan”) with a non-arm’s length third party to borrow $350,000 at a rate of 8% per annum, calculated monthly, and to mature in three months. This loan was paid in full in 2020.

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 was paid in full in January 2021.

17. LEASES

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

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

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

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

In 2021 the Company leased a vehicle for a term of 2 years and office space in Canada for 3 years and the liability is discounted using an incremental borrowing rate of 5% and 15% respectively, the associated right-of-use asset was measured at the value of lease liability.

The maturity analysis of contractual undiscounted cash flows, excluding likely lease term extensions, of the lease liabilities are disclosed in note 23 in the table under liquidity risk.

(Expressed in Canadian dollars)

17. LEASES (continued)

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

	Canada	USA	Total
	$	$	$
Balance as at December 31, 2019	294,358	4,613,409	4,907,767
Repayment of lease liability	(106,969)	(751,309)	(858,278)
Accretion expense	37,072	258,864	295,936
Currency translation adjustment	-	(65,484)	(65,484)
Balance as at December 31, 2020	224,461	4,055,480	4,279,941
Additions	108,338	-	108,338
Repayment of lease liability	(121,627)	(722,225)	(843,852)
Accretion expense	28,864	213,899	242,763
Currency translation adjustment	-	(23,004)	(23,004)
Balance as at December 31, 2021	240,036	3,524,150	3,764,186
Current portion			
Balance as at December 31, 2020	80,503	516,314	596,817
Balance as at December 31, 2021	129,267	560,176	689,443
Long-term portion			
Balance as at December 31, 2020	143,958	3,539,166	3,683,124
Balance as at December 31, 2021	110,769	2,963,974	3,074,743

18. 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 matured 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.

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	1,362,500
Accretion expense	25,291
Balance as at December 31, 2019	$1,387,791
Accretion expense	112,209
Balance converted to equity in 2020	$1,500,000

(Expressed in Canadian dollars)

18. CONVERTIBLE DEBENTURE (continued)

During the year 2020 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 were closed in tranches, 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 the holders would own 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

On June 19, 2020, the Debentures were amended and restated from USD $10 million to USD $6 million converting into the same subsidiary interests described above. On June 24, 2020, the Debentures were converted by the holders into a 9% interest in PowerBand US and a 9% interest in PowerBand's Canadian leasing division. The fair value of the consideration received net of the cost that is directly attributed to it is recognized in the Statement of shareholders equity as disposition of equity interest in subsidiary.

	December 31, 2021	December 31, 2020
	$	$
Balance at beginning of the year	-	-
Issued during the year	-	8,093,200
Financing costs	-	(180,546)
Foreign exchange movement	-	44,400
Conversion of Debentures	-	(7,957,054)
Balance at end of the year	-	-

On December 14, 2020, the Company received $1,276,895 (US$1 million) as consideration for disposition of interest in the Company's subsidiaries DRIVRZ US LLC and DRIVRZ Financial Inc. The fair value of the consideration received net of the cost that is directly attributed to it is recognized in the Statement of shareholders equity as disposition of equity interest in subsidiary. This transaction was amended in 2021 and the Company repaid US$750,000 and the balance of $316,950 (US$250,000), due on demand, is reported as a liability and included in Due to related parties at December 31, 2021.

19. GOVERNMENT STIMULUS SUBSIDIES

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

Canada Emergency Wage Subsidy ("CEWS")
The CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government stimulus subsidy income as reductions of $35,600 (2020 - $352,985) to Salaries and wages expenses for the year ended December 31, 2021.

Canada Emergency Rent Subsidy ("CERS")
The CERS provides qualifying companies with a monthly financial support grant based on eligible expenses, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government stimulus subsidy income as reductions of $5,246 (2020 - $15,952) to Rent expenses for the year ended December 31, 2021.

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

United States Paycheck Protection Program ("PPP")
On April 17, 2020, the Company's subsidiary Drivrz Holdings, LLC received a loan totaling US$458,400 ($583,635 CAD) under the U.S. Small Business Administration Paycheck Protection Program. Proceeds from this program have been used to assist U.S. small businesses during the COVID-19 pandemic to keep employees on the payroll and to contribute to utilities, rent and mortgage costs. The loan has a maturity of two years and an interest rate of 1% per annum, payable monthly, but only if the application for loan forgiveness is denied by the government. The loan will be fully forgiven if the funds are used for payroll and utilities costs if at least 60% of the forgiven amount is used for payroll and full-time equivalent employees remain on payroll during the eight week period following the receipt of the funds. Loan payments will also be deferred for six months. No collateral or personal guarantees are required. The Company has submitted the application for forgiveness and has received confirmation on June 13, 2021 that it has complied with the relevant provisions of the program and the full amount of US$458,400 ($583,635 CAD) has been forgiven. This amount is reported as a reduction of Salaries and wages in the consolidated statements of Loss for the year ended December 31, 2021.

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

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

19. GOVERNMENT STIMULUS SUBSIDIES (continued)

During the year ended December 31, 2021, the Company claimed ERCs of US$593,065 ($751,888 CAD), (December 31, 2020 - $nil) and is reported as a reduction of Salaries and wages in the consolidated statement of Loss. The amount is expected to be settled shortly and are disclosed within Other current assets is the Statement of Financial Position.

20. SHARE CAPITAL AND RESERVES

(a) Authorized:

The Company is authorized to issue:

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

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

(b) Shares issued on Private Placements:

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.

The 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, the first tranche of $100,000 closed on December 20, 2019. In total 7,692,307 units were issued at a price of $0.065 per unit for total proceeds of $500,000.

The total of 3,076,924 warrants were issued as part of the $400,000 Private Placement financing.

On February 10, 2021, the Company closed on $5,300,000 of a Private Placement financing, representing 18,275,862 units at a price of $0.29 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, and each warrant shall entitle the holder thereof to acquire one common share at an exercise of $0.49 per warrant share for a period of two years following the date of issuance. The share issuance costs amounted to $92,294. The compensation warrants of 318,258 were valued using black-scholes calculator with risk free interest rate of 0.19%, volatility of 115%, expected life of 2 years, for a value of $43,622.

On July 8, 2021 the Company closed a private placement offering for aggregate gross proceeds of $12,775,901. A total of 18,788,090 common shares of the Company were issued at a price of $0.68 per Offered Share, including the partial exercise of the Agents' option for 1,140,990 Offered Shares. The Offering was carried out by Desjardins Capital Markets and Scotiabank acting as co-bookrunners and co-lead agents (collectively the "**Agents**").

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(b) Shares issued on Private Placements (continued):

In connection with the Offering, the Agents received a cash commission equal to 6.0% of the gross proceeds raised, other than gross proceeds from sales of Offered Shares made to certain purchasers designated by the Company (the "**President's List**") for which the Agents received a cash commission equal to 4.0% of such gross proceeds; and compensation warrants (the "**Compensation Warrants**") equal to 6.0% of the number of Offered Shares sold under the Offering, other than in respect of purchasers on the President's List for which the Agents received Compensation Warrants equal to 4.0% of the number of Offered Shares sold to such purchasers. Each Compensation Warrant is exercisable at $0.68 per warrant share to acquire one common share of the Company for a period of 24 months following the date of their date of issuance, at the Offering Price. The warrants were valued using black scholes calculator with risk free interest rate of 0.48%, volatility of 115% and was valued at $617,399. The total share issuance costs for the private placement offering amounted to $1,504,071, which includes cash commission of $741,554. The Offered Shares will be subject to a four-month and one day hold period under applicable securities laws in Canada.

(c) Shares for Debt and services:

On April 1, 2021, the Company settled an outstanding debt of $1,000,000 owed to the CEO of the Company and a significant shareholder of the Company through the issuance of 800,000 common shares of the Company, at a deemed price of $1.25 per Common Share. The fair value of the 800,000 common shares on the date of settlement was $848,000 ($1.06 per share) thereby recognizing a gain of $152,000 from the settlement of the debt.

(d) Shares issued for acquisitions

On July 17, 2019, the Company acquired 60% of the Units of Drivrz Holdings LLC (formerly MUSA Holdings, LLC). As part of the purchase price the Company issued 2,500,000 common shares on July 17, 2019, 900,000 common shares on July 20, 2020, and 900,000 common shares on July 20, 2021 to Drivrz Holdings LLC (formerly MUSA Holdings LLC.). See Note 5.

On October 28, 2020, the Company acquired 60% of the Units of IntellaCar Solutions LLC. As part of the purchase price the Company issued 2,000,000 common shares to IntellaCar Solutions LLC on October 28, 2020. See Note 5.

(e) Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

		December 31, 2021		**December 31, 2020**
	Number of share purchase warrants	Weighted average exercise price ($)	Number of share purchase warrants	Weighted average exercise price ($)
Balance, beginning of period	23,179,246	0.49	17,452,322	0.58
Warrants granted	20,427,287	0.49	6,001,924	0.22
Warrants exercised	(12,779,002)	(0.39)	(275,000)	(1.05)
Warrants cancelled	(75,000)	(0.30)	-	-
Warrants expired	(15,225,801)	(0.60)	-	-
Balance, end of year	**15,526,730**	**0.48**	**23,179,246**	**0.49**

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(e) Share Purchase Warrants (continued)

A summary of the Company's share purchase warrants outstanding as at December 31, 2021 is presented below:

Number of share purchase warrants (#)	Exercise Price ($)	Expiry Date
1,500,000	0.30	March 6, 2022
12,193,563	0.49	February 10, 2023
1,083,167	0.68	July 8, 2023
750,000	0.30	July 16, 2024

The weighted average remaining contractual life of the share purchase warrants is 1.12 years.

(f) Share-based compensation

(i) Stock option plan

The Company has adopted a stock option plan (the "Option Plan") for directors, officers, employees, and consultants of the Company. At the Company's Annual General Meeting held on June 15, 2021 the shareholders approved the 2021 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 33,372,093 common shares of the Company.

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 $23,639 (2020 - $149,472) recognized in 2021.

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 $3,950 (2020 - $17,133) recognized in 2021.

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 year vesting period, with $nil (2020 - $32,744) recognized in 2021.

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 one-year vesting period, with $nil (2020 - $15,741) recognized in 2021.

20. SHARE CAPITAL AND RESERVES (continued)

(f) <u>Share-based compensation</u> (continued)

(i) Stock option plan (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 immediately, with $nil (2020 - $73,384) recognized in 2021.

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 immediately, with $nil (2020 - $68,100) recognized in 2021.

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 immediately, with $nil (2020 - $41,541) recognized in 2021.

In July 2020, the Company granted 1,800,000 stock options to consultants, which vested immediately. The stock options were issued with an exercise price of $0.225 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 $341,474 to be recognized immediately, with $nil (2020 - $341,474) recognized in 2021.

In August 2020, the Company granted 1,500,000 stock options to employees, which vested immediately. The stock options were issued with an exercise price of $0.225 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 $271,046 to be recognized immediately, with $nil (2020 - $271,046) recognized in 2021.

In October 2020, the Company granted 250,000 stock options to consultants, which vested over a period of two years and 3,750,000 stock options to officers, employees and consultants which vest immediately. The stock options were issued with an exercise price of $0.220 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $688,615, with $25,993 (2020 - $656,782) recognized in 2021. The Company recognized a gain of $179,504 from 500,000 stock options granted to consultants for settlement of fees of $270,124 payable to the consultants.

In November 2020, the Company granted 50,000 stock options to consultants, officers, and employees, which vested immediately and 250,000 which vest over a period one year. The stock options were issued with an exercise price of $0.21 and $0.26 respectively 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 $62,239, with $22,093 (2020 - $40,146) recognized in 2021.

In December 2020, the Company granted 475,000 stock options to employees, 350,000 vests immediately and 125,000 vests over a period of one year. The stock options were issued with an exercise price of $0.205 and $0.25, respectively 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 $85,937, with $24,605 (2020 - $61,332) recognized in 2021.

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(f) <u>Share-based compensation</u> (continued)

(i) Stock option plan (continued)

In January 2021, the Company granted 200,000 stock options to consultants, 68,000 vests immediately and 66,000 each vest over a period of one year and two year respectively. The stock options were issued with an exercise price of $0.29 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $46,597, with $38,449 (2020 - $nil) recognized in 2021.

In April 2021, the Company granted 400,000 stock options to consultants, 200,000 vests on October 16, 2021 and 200,000 vests on April 16, 2022. The stock options were issued with an exercise price of $0.72 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $232,170, with $198,458 (2020 - $nil) recognized in 2021.

In June 2021, the Company granted 1,325,000 stock options to employees and consultants, 250,000 vests immediately, 300,000 vests on January 1, 2022 and January 1, 2023, respectively, 125,000 vests on June 30, 2022 and 350,000 vests on January 1, 2024. The stock options were issued with an exercise price of $0.76 and $0.79 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $804,275, with $481,083 (2020 - $nil) recognized in 2021.

In July 2021, the Company granted 225,000 stock options to employees, all of which vests after one year on July 16, 2022. The stock options were issued with an exercise price of $0.76 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 $137,784, with $63,418 (2020 - $nil) recognized in 2021.

In October 2021, the Company granted 8,492,500 stock options to directors, consultants and employees, 1,675,000 of which vests in two tranches on April 24, 2022 and October 26, 2022, and 6,817,500 vests in two tranches on October 26, 2022 and October 26, 2023. The stock options were issued with an exercise price of $0.89 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $6,089,198, with $993,128 recognized in 2021.

The total share-based compensation for the year ended December 31, 2021 is $2,469,810 (December 31, 2020 - $1,956,767).

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:

	2021	2020	2019
Grant date share price	$0.29 - $0.89	$0.16 - $0.26	$0.06 - $0.09
Risk-free interest rate	0.39% - 0.97%	0.22% – 1.39%	1.25% – 1.58%
Expected life of options	5 years	5 years	5 years
Expected annualized volatility	115%	115%	115%
Expected dividend yield	-	-	-
Black-Scholes value of each option	$0.233 - $0.717	$0.13 - $0.21	$0.05 - $0.07

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(i) Stock option plan (continued)

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

	December 31, 2021		**December 31, 2020**	
	Number of stock options	Weighted average exercise price ($)	Number of stock options	Weighted average exercise price ($)
Balance, beginning of period	19,928,500	0.1740	11,278,500	0.1040
Options issued	10,642,500	0.8540	9,275,000	0.2200
Options exercised	(8,624,250)	0.1650	(225,000)	0.1000
Options cancelled/forfeited	(625,000)	0.1000	(400,000)	0.2250
Balance, end of year	21,321,750	0.5200	19,928,500	0.1740

A summary of the Company's stock options outstanding and exercisable as at December 31, 2021 is presented below:

	Options Outstanding			**Options Exercisable**	
Expiry date	**Number of options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		years	$		$
February 1, 2023	852,250	1.09	0.30	852,250	0.30
July 10, 2024	2,500,000	2.53	0.10	2,500,000	0.10
October 17, 2024	950,000	2.80	0.10	950,000	0.10
February 12, 2025	500,000	3.12	0.22	500,000	0.22
February 25, 2025	400,000	3.15	0.16	400,000	0.16
February 27, 2025	300,000	3.16	0.21	300,000	0.21
July 30, 2025	500,000	3.58	0.23	500,000	0.23
August 10, 2025	1,310,000	3.61	0.23	1,310,000	0.23
October 1, 2025	250,000	3.75	0.22	125,000	0.22
October 20, 2025	500,000	3.81	0.22	500,000	0.22
October 27, 2025	2,260,000	3.83	0.22	2,260,000	0.22
November 2, 2025	250,000	3.84	0.26	250,000	0.26
November 26, 2025	50,000	3.91	0.21	50,000	0.21
December 28, 2025	125,000	3.99	0.25	125,000	0.25
January 4, 2026	132,000	4.01	0.29	68,000	0.29
April 16, 2026	400,000	4.29	0.72	200,000	0.72
June 14, 2026	250,000	4.46	0.79	250,000	0.79
June 15, 2026	950,000	4.46	0.76	-	0.76
June 30, 2026	125,000	4.50	0.76	-	0.76
July 16, 2026	225,000	4.54	0.76	-	0.76
October 26, 2026	8,492,500	4.82	0.89	-	0.89
	21,321,750	**3.91**	**0.52**	**11,140,250**	**0.21**

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(i) Stock option plan (continued)

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

	Options Outstanding			Options Exercisable	
Expiry date	**Number of options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		years	$		$
February 1, 2023	1,678,500	2.09	0.30	1,678,000	0.30
July 10, 2024	6,700,000	3.53	0.10	4,350,000	0.10
October 15, 2024	375,000	3.79	0.10	62,500	0.10
October 17, 2024	1,200,000	3.80	0.10	1,200,000	0.10
December 2, 2024	700,000	3.92	0.15	700,000	0.15
February 12, 2025	500,000	4.12	0.22	500,000	0.22
February 25, 2025	400,000	4.15	0.16	400,000	0.16
February 27, 2025	300,000	4.16	0.21	300,000	0.21
July 30, 2025	1,800,000	4.58	0.23	1,800,000	0.23
August 10, 2025	1,500,000	4.61	0.23	1,500,000	0.23
October 1, 2025	250,000	4.75	0.22	62,500	0.22
May 15, 2023	400,000	2.38	0.23	400,000	0.23
October 20, 2025	500,000	4.81	0.22	500,000	0.22
October 27, 2025	2,850,000	4.83	0.22	2,850,000	0.22
November 2, 2025	250,000	4.84	0.26	50,000	0.26
November 26, 2025	50,000	4.91	0.21	50,000	0.21
December 14, 2025	350,000	4.96	0.21	350,000	0.21
December 28, 2025	125,000	4.99	0.25	-	0.25
	19,928,500	**3.92**	**0.17**	**16,753,500**	**0.18**

(ii) Restricted share unit plan

At the Company's Annual General Meeting held on June 15, 2021, the shareholder approved the 2021 Restricted Share Unit Plan, reserving for issuance a maximum of 8,000,000 common shares of the Company. The 8,000,000 Restricted Share Unit are included in the 33,372,093 common shares of the Incentive Stock Option Plan (20% Fixed Plan). As at December 31, 2021, 4,475,000 RSUs remain available to be granted.

RSUs outstanding as at December 31, 2021:

	Number of RSUs
Balance as at December 31, 2019	-
Granted	2,000,000
Vested	(950,000)
Balance as at December 31, 2020	1,050,000
Granted	3,000,000
Vested	(525,000)
Balance as at December 31, 2021	**3,525,000**

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(ii) Restricted share unit plan (continued)

On August 13, 2020, the Company issued 700,000 restricted share units to consultants of the Company at a price of $0.22 per common share for serviced rendered. 50% of these restricted share units vest on August 13, 2021 and remaining 50% will vest on August 13, 2022. The Company recognized $85,966 (2020 - $44,301) as share-based compensation in 2021.

On October 14, 2020, the Company issued 350,000 restricted share units to consultants of the Company at a price of $0.195 per common share for serviced rendered. 50% of these restricted share units will vest on October 14, 2021 and remaining 50% will vest on October 14, 2022. The Company recognized $43,896 (2020 - $10,939) as share-based compensation in 2021.

On October 22, 2020, the Company issued 950,000 restricted share units to an organization at a price of $0.235 per common share and they vested 100% on the date of grant. The Company recognized a fair value of $nil (2020 - $223,250) as share-based compensation in 2021 for the equity instruments granted.

On June 30, 2021, the Company issued 150,000 restricted share units to a consultant at a price of $0.78 per common share and these will vest upon completion of the terms of the service agreement. The Company $nil (2020 - $nil) as share-based compensation in 2021.

On October 26, 2021, the Company issued 2,850,000 restricted share units to directors, consultants and employees at a price of $0.89 per common share and they vested over a two-year period. The Company recognized a fair value of $465,132 (2020 - $nil) as share-based compensation in 2021 for the equity instruments granted.

(g) Escrow shares

In fiscal year ended December 31, 2018, upon the completion of the Reverse Takeover transaction on February 8, 2018, a number of shares of insiders of Marquis Ventures Inc. and Powerband Solutions Inc. were subject to an escrow agreement. 10% of the shares became free-trading on February 8, 2018 with 15% released every six months following. As at December 31, 2021, nil (December 31, 2020 – 2,834,869) issued shares were being held in escrow.

(Expressed in Canadian dollars)

21. NON-CONTROLLING INTERESTS

	Drivrz Holdings LLC	IntellaCar Solutions LLC	Drivrz Financial Inc.	2744915 Ontario Inc.	Total
NCI in subsidiary at December 31, 2021	5.40%	40.00%	26.38%	49.00%	
	$	$	$	$	$
At December 31, 2019	268,927	-	-	-	268,927
Acquisition	-	1,337,058			1,337,058
Capital contribution	2,827,083	57,825	-	-	2,884,908
Change in NCI	60,989	-	-	-	60,989
Foreign currency translation	(4,737)	(96,301)	-	-	(101,038)
Share of loss	(2,789,415)	(83,966)	-	-	(2,873,381)
At December 31, 2020	362,847	1,214,616	-	-	1,577,463
At December 31, 2020	362,847	1,214,616	-	-	1,577,463
Capital contribution	485,882	-	-	-	485,882
Change in NCI	(122,075)	-	-	-	(122,075)
Foreign currency translation	(14,701)	(43,276)	-	-	(57,977)
Share of loss	(589,468)	(572,389)	(42,786)	(27,052)	(1,231,695)
At December 31, 2021	122,485	598,951	(42,786)	(27,052)	651,598

22. RELATED PARTY TRANSACTIONS

During the year, the Company paid for expenses $32,654 (2020 - $36,304) and charged subscription fee of $13,951 (2020 - $15,051) to companies controlled by the CEO.

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

	December 31, 2021 ($)	December 31, 2020 ($)
Software development sales	-	1,304,813
Vehicle and auction sales	-	200,300

The Company and its joint venture partner D2DAA are developing a consumer-focused platform DrivrzXchange that is an inclusive multi-sided marketplace that allows buyers and sellers of all types to list and/or find vehicles. The Company has capitalized total cost of $808,523 (December 31, 2020 - $nil) on this project as of December 31, 2021. See Note 13. As at December 31, 2021, accounts receivable from D2DAA is $192,566 (December 31, 2020 - $968,801) and $nil (December 31, 2020 - $18,000) is included in deferred revenue for deposit on vehicles by D2DAA. The provision for expected credit loss for the year ended December 31, 2021 is $874,563 (December 31, 2020 - $376,985).

The Company owes D2DAA $nil (December 31, 2020 - $604,770) as at December 31, 2021. The balance is due on demand and non-interest bearing. The balance was settled in full during the year ended December 31, 2021.

As at December 31, 2021, the Company owed the former CEO of Drivrz Holdings LLC $nil (December 31, 2020 - $207,532). The amount is due on demand and non- interest bearing. The balance was settled in full during the year ended December 31, 2021.

22. RELATED PARTY TRANSACTIONS (continued)

On July 8, 2021, the Company closed a private placement offering for aggregate gross proceeds of $12,775,901 for total of 18,788,900 common shares at a price of $0.68 per share. Certain key management personnel of the Company subscribed for 250,000 common shares for gross proceeds of $170,000.

Shareholder loans and transactions

As at December 31, 2021, shareholder loan balance was $348,645 (December 31, 2020 - $762,452), including accrued interest of $nil (December 31, 2020 - $134,384) recorded in the accounts payable and accrued liabilities. This loan was interest bearing at 9% per annum due on demand.

As at December 31, 2021, the interest free notes payable on acquisition of INTELLACAR amounted to $nil (December 31, 2020 - $1,273,200). The promissory notes have a maturity date of March 31, 2021. The balance was settled in full during the year ended December 31, 2021.

As at December 31, 2021, the interest free short-term shareholder loan balances was $nil (December 31, 2020 - $795,150 (US$625,000)).

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, 2021, the Company owed $nil (December 31, 2020 - $1,102,701) to the shareholder against the Bridge Note. On April 1, 2021, the balance of $1,000,000 outstanding on this Note was settled by issue of 800,000 common shares in the Company. On March 9, 2021, the Company and the shareholder entered into a loan agreement for $2,351,678 due on demand with an interest rate of 2.25% per annum. As at December 31, 2021, the Company owed $1,966,907 (December 31, 2020 - $nil). During the period ended December 31, 2021, the shareholder advanced total of $1,836,436 for operating expenses and the amount that is outstanding on this advance as of December 31, 2021 is $642,710.

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, Chief Operating Officer and the Chief Technology Officer.

Key management personnel compensation for the years ended December 31, 2021 and 2020 was as follows:

i. CEO $196,970 (2020 -$1,396,376).
ii. President $713,099 (2020- $241,668).
iii. Chief Financial Officer $150,000 (2020- $32,340)
iv. Chief Technology Officer $181,548 (2020- $139,968)
v. Chief Operating Officer $539,031 (2020 - $243,808).
vi. Share based compensation $369,505 (2020 - $12,456)

At December 31, 2021, the total amount payable to key management personnel of the Company amounted to $742,554 (December 31, 2020 - $1,451,011) and recorded in Accounts payable and accrued liabilities and due to related parties.

23. 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:

(Expressed in Canadian dollars)

23. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

	December 31, 2021	December 31, 2020
	$	$
Current to 30 days past due	1,541,519	431,799
Past due (31-60 days)	570,510	43,480
Past due (> 61 days)	5,692	822,146
	2,117,721	1,297,425

Based on amounts which are past due, historical trends, and available information, a provision for expected credit loss of $1,445,073 (December 31, 2020 - $376,985) of which $874,563 in the current year relates to one customer and the prior year expected credit loss of $376,985 was calculated by using a provision matrix. There is no indication that a customer could be experiencing liquidity or going concern problems. In the current year an expected credit loss of $570,510 was recorded for amounts advanced to CB Auto Group, See note 10.

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 by the shareholder when needed. The Company also manages liquidity risk by continuously monitoring actual and budgeted expenses.

At December 31, 2021, all the Company's accounts payables and accrued liabilities had contractual terms of less than one year.

	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	5,104,785	5,104,785	-	-	-
Due to related parties	2,958,262	2,958,262	-	-	-
Lease payments (undiscounted)	4,378,901	900,266	2,455,703	1,022,932	-
Government assistance	60,000	60,000	-	-	-
Debt - current and long term (undiscounted)	4,437,300	2,535,600	1,901,700	-	-
	16,939,248	11,558,913	4,357,403	1,022,932	-

23. FINANCIAL INSTRUMENTS (continued)

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 and short-term loans with set interest rates.

Currency risk

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

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

For the year ended December 31, 2021, if the Canadian dollar had strengthened 5% against the United States dollar, with all other variables held constant, net loss for the year would have been $106,520 lower (2020 - $334,230). Conversely, if the Canadian dollar had weakened 5% against the United States dollar with all other variables held constant, there would be an equal, and opposite impact, on net loss.

Fair value

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

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

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

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

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

24. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and continue to develop and market its software applications. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements. The Company is dependent on financing from shareholders to develop its technology and fund its activities. There were no changes in the Company's approach to capital management during the year ended December 31, 2021.

25. LEGAL CLAIMS

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

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. On December 20, 2021, the Supreme Court of British Columbia issued a consent order to dismiss the action of Paul Mountney and Paulette Mountney against the Company.

Frunzi v. MUSA Auto Holdings, LLC, Texas District Court, Dallas County, Case # DC-18-14445:
Mr. Frunzi's employment was terminated for cause on September 5, 2018. Mr. Frunzi subsequently asserted a claim for breach of his employment agreement. He seeks money damages in the amount of the severance payment specified in his employment agreement, which is an amount comprised of 18 months' base salary, his prior year's bonus, and health insurance premiums for 18 months. He also seeks the value of the profit interest units that vested under his grant agreement before his employment was terminated. In addition to money damages, Mr. Frunzi seeks a declaratory judgment that MUSA breached his employment agreement and an accounting that can be used to determine the value of the profit interest units that vested before the termination. The amount in controversy is about $427,500, not including the value of any profit interest units claimed by Frunzi. The case was expected to proceed to trial in Dallas County on March 30, 2021, which has been postponed to August 9, 2022. 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.

Jeff Schagren v. Drivrz Financial LLC, 116th Judicial District Court, Dallas County, Texas, Case # DC-21-14150:
Mr. Schagren filed suit against Drivrz Financial LLC asserting a claim for breach of contract. Mr. Schagren alleges that Drivrz Financial LLC failed to pay certain severance obligations allegedly owed to him. He is seeking recovery of approximately $200,000. Drivrz Financial LLC denies the allegations. The case is set for trial on December 5, 2022. The Company believes that the claim is without merit and intends to vigorously defend against the claims asserted.

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

(Expressed in Canadian dollars)

26. SEGMENTED REPORTING

Operating segments are components of an entity that engage in business activities from which they earned revenues and incur expenses related to the operations for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. During the year ended December 31, 2021 the Chief Financial Officer served in the function of the Chief Operating Decision Maker (CODM). The Chief Financial Officer is responsible for allocating resources and assessing the performance of the following segments: Canadian operations and US operations.

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

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

	Year ended December 31, 2021			Year ended December 31, 2020		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Revenue						
Vehicle and auction sales	182,690	-	182,690	284,650	-	284,650
Software development sales	-	-	-	1,304,813	-	1,304,813
Lease origination revenue	-	23,151,353	23,151,353	-	1,309,195	1,309,195
Subscription revenue	14,364	588,581	602,945	-	129,464	129,464
	197,054	23,739,934	23,936,988	1,589,463	1,438,659	3,028,122

	Year ended December 31, 2021			Year ended December 31, 2020		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Operating loss before other income	10,520,505	2,145,242	12,665,747	6,358,178	6,701,698	13,059,876
(Gain) Loss on settlement of debt	(152,000)	-	(152,000)	(179,504)	-	(179,504)
Unrealized loss	3,676,881	-	3,676,881	-	-	
Interest in joint venture	-	-	-	287,665	-	287,665
	14,045,386	2,145,242	16,190,628	6,466,339	6,701,698	13,168,037

	As At December 31, 2021			As At December 31, 2020		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Segment assets	5,396,568	15,014,414	20,410,982	2,888,371	10,950,797	13,839,168
Segment liabilities	8,225,080	7,651,531	15,876,611	6,730,899	6,228,466	12,959,365

27. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2021, and 2020:

(Expressed in Canadian dollars)

27. INCOME TAXES (continued)

	Year ended December 31, 2021 ($)	Year ended December 31, 2020 ($)
Loss before income taxes	(16,190,628)	(13,168,036)
Canadian statutory income tax rates	26.5%	26.5%
Expected income tax recovery	(4,290,516)	(3,489,530)
Non-deductible items	1,695,449	654,939
Change in estimate	206,847	(1,139,618)
Share issuance cost	(169,769)	-
Foreign tax rate difference	19,376	28,980
Debt forgiveness	-	2,499,346
Change in deferred tax asset not recognized	2,538,613	1,120,459
Income tax expense (recovery)	-	(325,424)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) as at December 31, 2021 and 2020 are as follows:

	December 31, 2021 ($)	December 31, 2020 ($)
Non-capital loss carryforwards	917,356	1,457,934
Intangible and fixed assts	(69,812)	(459,802)
Right of use assets and leases	(847,544)	(998,132)
	-	-

The unrecognized deductible temporary differences as at December 31, 2021 and 2020 are comprised of the following:

	December 31, 2021	**December 31, 2020**
	$	$
Non-capital losses	16,970,587	10,616,360
Net operating losses	3,092,575	1,738,882
Lease liability	3,764,187	4,279,940
Intangible and fixed assets	232,266	-
Financing costs	848,123	592,014
Accounts receivable	1,251,548	376,985
CEBA loan	20,000	10,000
Investments	3,740,010	-
Investment tax credits	34,194	34,194
	29,953,490	17,648,375

(Expressed in Canadian dollars)

27. INCOME TAXES (continued)

The Company has non-capital loss carryforwards of approximately $20,063,162 (2020 $12,355,242) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	Canadian	United States	Total
	$	$	$
2038	1,590,176	-	1,590,176
2039	5,027,186	-	5,027,186
2040	3,902,279	-	3,902,279
2041	6,450,946	-	6,450,946
No expiry	-	3,092,575	3,092,575
Total	16,970,587	3,092,575	20,063,162

28. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2021, the following corporate activities occurred:

1. Subsequent to year end December 31, 2021, the Company received advances totaling $1,125,138 from a related party for working capital. A promissory note agreement with an interest rate of 5% per annum and repayable by March 31, 2024 was entered into between the Company and the related party.

2. In January and February 2022, the Company issued total of 2,250,000 restricted share units to employees at a price of $0.72 and $0.68 per common share, respectively. 1,750,000 restricted share units vest immediately and 500,000 restricted share units will vest over a two-year period.

3. Subsequent to December 31, 2021 and up to April 20, 2022, the Company received $448,465 from the exercise of stock options and warrants.