



**POWERBAND SOLUTIONS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE AND NINE MONTHS  
ENDED SEPTEMBER 30, 2023**

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

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

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

## **Introduction**

The following Management Discussion & Analysis ("MD&A") of PowerBand Solutions Inc. (the "Company", "PowerBand") has been prepared and written to comply with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021, and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and nine months ended September 30, 2023, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at November 29, 2023, unless otherwise indicated.

The unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2023, and 2022, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

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

## **Caution Regarding Forward-Looking Statements**

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

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Forward-looking statements	Assumptions	Risk factors
The Company will be required to raise additional capital in order to meet its ongoing operating expenses and complete its planned business development activities for the twelve-month period ending September 30, 2024.	The operating and business development activities of the Company for the twelve-month period ending September 30, 2024, and the costs associated therewith, will be consistent with PowerBand's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favorable to PowerBand.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; reductions in revenue, interest rate and exchange rate fluctuations; changes in economic conditions.
Management's outlook regarding future trends.	Financing will be available for PowerBand's business development and operating activities; the financing market will be receptive to the Company's technological cloud-based software solution.	Industry-wide deterioration of the automotive industry; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.
Sensitivity analysis of financial instruments.	Based on management's knowledge and experience of the financial markets, the Company believes that there would be no material adverse changes to its results for the period ended September 30, 2024 as a result of a change in the foreign currency exchange rates or interest rates.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause PowerBand actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should

not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### **Non-IFRS Measures**

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

Our definition of EBITDA and Adjusted EBITDA described in the section "Reconciliation and Definition of Non-IFRS Measures" will likely differ from that used by other companies and therefore comparability may be limited. These non-IFRS measures should be read in conjunction with our annual audited consolidated financial statements and the related notes thereto as at and for the year ended December 31, 2022, and the unaudited condensed interim consolidated financial statements for the three and nine month period ended September 30, 2023. Readers should not place undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures.

### **COVID-19 Pandemic Disclosures**

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The initial spread of the COVID-19 pandemic impacted our business as we had just relaunched the lease originations in July 2020. The automotive industry experienced a dramatic decline in both new and used vehicle sales, curtailed by lockdowns and keeping buyers of vehicles out of the market. After the initial impact of the pandemic on the business the Company began to see demand for used vehicles and adoption of the Drivrz Financial online leasing platform.

The Company initially benefitted from the adoption of its ecommerce platform in the used vehicle market. However, the pandemic also disrupted the supply chain in the automotive industry. With chip shortages and labour challenges, new vehicle manufacturers struggled to meet the production demands and as a result, the demand and subsequently prices for used vehicles increased significantly in response to a lack of new vehicle inventory available. This resulted in increased revenues in the second and third quarter of 2021. However, in the fourth quarter of 2021 and subsequently in 2022, revenue decreased due to low inventory levels, high prices of used vehicles and supply chain constraints leading to the decrease in the lease originations for the quarters. Refer to "Outlook" section for additional discussion on COVID-19 pandemic.

COVID-19 has caused heightened uncertainty and volatility in the global economy, including supply chain stress and inflationary pressure. If economic growth slows further or if a recession develops, customers may not have the financial means to lease or finance vehicles, thereby potentially having a negative impact on the Company's financial performance. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreaks and the related impact on the global economy may not be fully reflected in the Company's financial statements until future periods. Further, volatility in the capital markets may continue, which may cause declines in the price of the Company's shares and may also affect its ability to raise working capital through equity or debt transactions.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Company's operations and financial position is not known at this time. An estimate of the financial effect of the pandemic on the Company is not practicable at this time.

## **Description of Business**

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

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

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

PowerBand is a technology company with all of its applications focused on the automotive industry. The software is hosted in Microsoft's Azure cloud and offers a number of distinct but interconnected product offerings to its clients. PowerBand's core products are responsive for use on any device and are complimented by mobile applications for its auction platform. All of the applications are being vertically integrated, representing a powerful technology stack for automotive retail.

The Company's management team has conducted a comprehensive review of the business strategy, operations, and product lines. Following the review, the decision was made that the primary business focus in the near-to-medium term will be on increasing the number of lease originations in its Drivrz Financial business division in the U.S.

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

### **Drivrz Financial Holdings LLC (DrivrzFinancial):**

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

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

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

### **D2D Auto Auction LLC (DrivrzXchange):**

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

**IntellaCar Solutions LLC (DrivrzLane):**

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

**Drivrz Financial Inc./ Motor One Canada Inc.**

In August 2022, a Certificate of Amendment was filed changing the legal name from Drivrz Financial Inc. to Motor One Canada Inc. As part of its strategic review the Company decided not to pursue the commercialization of the Drivrz platform in Canada. On December 29, 2022, the Company executed a Share Purchase Agreement whereby it sold its 73.6% equity interest in Motor One Canada Inc. to an arm's length third party. The Company has no further financial or ownership interest in Motor One Canada Inc.

**Outlook**

Following a detailed review of the business units operated within the Company's corporate structure, the management team updated its corporate strategy. The Company will allocate all growth capital and resources to its used and new vehicle leasing platform, DrivrzFinancial, as management believes it represents the highest near-to-medium-term return to shareholders.

During the business unit review, management was notified by one of the financial institutions providing lease financing to DrivrzFinancial that certain vehicle leases originated in fiscal year 2021, and in the first quarter of 2022, fell within the repurchase criteria set forth in the Forward Flow Purchase and Security Agreement entered into between DrivrzFinancial and the financial institution. As a result of these discussions DrivrzFinancial repurchased certain vehicle leases from the financial institution in the second half of 2022.

Since the beginning of Q1 2023, Drivrz Financial and the financial institution have been in negotiations on additional lease contracts that the financial institution has identified fall within the repurchase criteria of the Forward Flow Purchase and Security Agreement. While the discussions have been ongoing the financial institution has not provided additional funding to DrivrzFinancial to originate vehicle leases. DrivrzFinancial's second lease funding provider is also currently withholding financing, although the lease portfolio of the second lease funding provider is performing within guidelines. The Company's management team is working to resolve matters with both financial institutions as soon as possible and be in a position to resume originating leases.

DrivrzFinancial has implemented several measures to improve operations and prevent future repurchase obligations. The executives and employees at DrivrzFinancial responsible for operations and underwriting when the repurchased leases were funded are no longer employed with the firm. The management team at PowerBand / DrivrzFinancial has hired several new experienced executives and employees, including a VP of Compliance and a VP of Servicing and Collections, and a Senior Director of Credit, to oversee the lease origination and servicing business.

Powerband and DrivrzFinancial also adopted a revised Credit Underwriting Policy & Procedures Manual and an updated DrivrzFinancial Funding Checklist.

Additionally, DrivrzFinancial completed a comprehensive analysis of all dealers and has identified dealers that it will no longer transact business with, thereby improving the future risk profile of the portfolio. DrivrzFinancial has filed lawsuits against four dealers to recover damages and costs and has received judgements against three of these dealers. DrivrzFinancial has also issued additional demands to other dealers to repurchase leases that do not meet certain credit or legal criteria.

PowerBand's management team continues to work diligently with the financial institution to resolve issues with the repurchasing of vehicle leases and to re-commence the origination of leases through the Forward Flow Purchase and Security Agreement.

The Company has also been working on bolstering its servicing and collection efforts to better manage the lease portfolio of its credit partners, and its own self-funded leases, in a more effective and efficient manner. The new servicing and collections product that was slated to be rolled out in the fourth quarter of 2023 has been projected to be launched in the second quarter of 2024.

The Company is also continuing discussions to secure additional funding lines for DrivrzFinancial to generate lease originations.

### **Operational Highlights for 2023**

- a) On February 28, 2023, the Company discontinued operations of its wholly owned IntellaCar Solutions LLC. (re-branded as DrivrzLane) business unit. Management had reviewed the business strategy and the technology of DrivrzLane and made the decision that its product offering did not fit in with the future strategic direction of PowerBand's e-commerce platform to lease and finance new and used vehicles.
- b) On March 6, 2023, and March 8, 2023, the Company issued restricted share units totaling 4,116,667 to employees and directors at a price of \$0.045 and \$0.06 per common share respectively. 166,667 restricted share units vested immediately and the remaining 3,950,000 restricted share units vest over a period of three years.
- c) In May 2023, the Company's subsidiary Drivrz Financial and the financial institution executed a Repurchase and Loss Reimbursement agreement for certain vehicle leases in the total amount of \$1,222,547 (US\$923,374.07). Upon execution of the agreement the financial institution transferred all interests in and title in each of the vehicles to Drivrz Financial. The total amount shall be paid in equal installments over a period of 24 months, plus 5% interest per annum on the outstanding balance as of the first day of the month.

### **Selected Annual Financial Information**

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2022, 2021 and 2020.

	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>	<b>Year ended December 31, 2020</b>
Revenue	\$12,761,228	\$23,936,988	\$3,028,122
Net loss	\$(30,538,947)	\$(16,190,628)	\$(12,842,613)
Net loss per share (basic and diluted)	\$(0.109)	\$(0.085)	\$(0.11)
	As at December 31, 2022	As at December 31, 2021	As at December 31, 2020
Total assets	\$17,234,821	\$20,410,982	\$13,839,168
Total non-current liabilities	\$2,515,962	\$4,812,279	\$3,683,124
Distributions or cash dividends declared	-	-	-

The net loss for the year ended December 31, 2022, consisted primarily of (i) Advertising and promotion expenses of 1,808,273 (ii) Share based compensation of \$4,348,268 (iii) salaries and wages of \$8,846,064; (iv) professional fees of \$4,053,105; (v) amortization of intangible assets of \$455,808; (vi) depreciation of right of use assets of \$698,008 (vii) office expenses of \$1,210,174; (viii) regulatory fees of \$321,768; (ix) investor relations fees of \$148,203 (x) travel of \$463,093; (xi) unrealized gain of \$247,205; (xii) impairment of intangible assets of \$6,169,574; (xiii) impairment of goodwill of \$2,718,850 (xiv) impairment of tangible assets of \$4,629,511 and (xv) accretion of \$960,827, offset by revenue of \$12,761,228.

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

The net loss for the year ended December 31, 2020, consisted primarily of (i) Advertising and promotion expenses of 281,341 (ii) Share based compensation of \$1,956,767 (iii) salaries and wages of \$4,685,027; (iv) professional fees of \$3,701,369; (v) amortization of intangible assets of \$675,138; (vi) depreciation of right of use assets of \$705,824 (vii) office expenses of \$473,162; (viii) regulatory fees of \$225,415; (ix) investor relations fees of \$69,377 (x) travel of \$62,592; and (xi) accretion of \$408,145, offset by revenue of \$3,028,122.



## Discussion of Operations

Three-month period ended September 30, 2023, and September 30, 2022:

For the three-month period ended September 30, 2023, PowerBand generated revenue of \$555,398. Revenues are derived primarily from: lease originations and servicing (\$473,566), and monthly income from leased vehicles (\$81,832).

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Canada \$	USA \$	Total \$	Canada \$	USA \$	Total \$
Revenue						
Vehicle and auction sales	-	-	-	353	-	353
Lease vehicle income	-	81,832	81,832	-	-	-
Lease originations and servicing revenue	-	473,566	473,566	-	1,499,941	1,499,941
	-	555,398	555,398	353	1,499,941	1,500,294

The revenue from US operations is from lease originations and servicing of the lease portfolio. The decrease is primarily due to the fact that there were no leases originated during the three months ended September 30, 2023, due to challenges from the availability of credit supply from the Company's funding partners. The US operations also derive revenue from the monthly lease rental payment on the self-funded and repurchased vehicle leases. The cost of the lease revenue represents the depreciation on these leased vehicles calculated on a straight-line basis over the estimated economic life of the vehicle.

There was no revenue from the Canadian operations for the three months period ended September 30, 2023.

For the three-month period ended September 30, 2023, PowerBand incurred a loss from continued operations of \$1,847,089 with basic and diluted loss per share of \$0.006 as compared to a loss of \$3,620,534 and basic and diluted loss per share of \$0.012 for the three-month period ended September 30, 2022, a decrease in loss of \$1,773,445 as described below. The primary expenses that comprised the loss include:

	Three months ended		
	Sep 30, 2023 \$	Sep 30, 2022 \$	Increase/ (Decrease) \$
<b>Net loss from continuing operations</b>	1,847,089	3,620,534	(1,773,445)
<b>Expenses</b>			
Salaries and wages	884,870	1,827,152	(942,282)
Professional fees	909,365	805,231	104,134
Share based compensation	160,058	932,927	(772,869)
Advertising and promotion	20,103	262,737	(242,634)
Office and sundry expenses	56,849	291,047	(234,198)
Travel expense	(11,821)	78,085	(89,906)
Accretion	95,996	117,897	(21,901)
Provision for expected loss	(13,034)	-	(13,034)

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- Salaries and wages decreased by \$942,282 from \$1,827,152 for the three-month ended September 30, 2022, to \$884,870 for the three-month ended September 30, 2023. Most of these costs were incurred in the US operations and the decrease is related to the decrease in headcounts.
- Professional fees increased by \$104,134 from \$805,231 for the three-month ended September 30, 2022, to \$909,365 for the three-month ended September 30, 2023. Professional fees include consulting fees, legal fees, accounting, and audit fees. The increase is due to the increase in legal fees.
- Share based compensation decreased from \$932,927 for the three-month period ended September 30, 2022, to \$160,058 for the three-month period ended September 30, 2023, a decrease of \$772,869 for expenses related to stock option grants, representing the amortization of fair market value of incentive stock options granted using the Black-Scholes valuation model and expenses related to restricted share units.
- Advertising and promotion expenses totaled \$20,103 for the three-month period ended September 30, 2023, as compared to \$262,737 for the three-month period ended September 30, 2022, a decrease of \$242,634. The decrease is directly related to the decrease in lease origination revenue for the three months period ended September 30, 2022.
- Travel expenses decreased from \$78,085 for the three-month period ended September 30, 2022, to (\$11,821) for the three-month period ended September 30, 2023, a decrease of \$89,906 in relation to client visits, management, sales and business development meetings in the United States.
- Accretion expense of \$95,996 for the three-month period ended September 30, 2023, as compared to \$117,897 for the three-month period ended September 30, 2022. The decrease of \$21,901 was due to the accretion on the long-term debt in 2022 that is amortized over the period of the borrowing costs using the effective interest method.

Nine-month period ended September 30, 2023, and September 30, 2022:

For the nine-month period ended September 30, 2023, PowerBand generated revenue of \$1,891,640. Revenues were derived primarily from lease originations and servicing (\$1,588,915), and monthly income from leased vehicles (\$302,725).

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

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The revenue from US operations is from lease originations and servicing, and consists primarily of the servicing of the lease portfolio. The decrease is primarily due to the fact that there were minimal lease originations during the nine months ended September 30, 2023, due to challenges from the availability of credit supply from the Company's funding partners. The US operations also derive revenue from the monthly lease rental payment on the self-funded and repurchased vehicle leases. The cost of the lease revenue represents the depreciation on these leased vehicles calculated on a straight-line basis over the estimated economic life of the vehicle.

There was no revenue from the Canadian operations for the nine months period ended September 30, 2023.

The gross profit margin decreased from 49% for the nine-month period ended September 30, 2022, to 43% for the nine-month period ended September 30, 2023.

For the nine-month period ended September 30, 2023, PowerBand incurred a net loss from continuing operations of \$16,141,054 with basic and diluted loss per share of \$0.052 as compared to net loss of \$14,604,796 and basic and diluted loss per share of \$0.051 for the nine-month period ended September 30, 2022, an increase in net loss of \$1,536,258 as described below. The primary expenses that contributed to the net loss are included in the table below:

	Nine months ended		
	Sep 30, 2023	Sep 30, 2022	Increase/ (Decrease)
	\$	\$	\$
<b>Net loss from continuing operations</b>	16,141,054	14,604,796	1,536,258
<b>Expenses</b>			
Salaries and wages	3,867,460	6,369,263	(2,501,803)
Professional fees	2,423,855	2,754,223	(330,368)
Share based compensation	453,668	4,882,720	(4,429,052)
Advertising and promotion	204,330	1,492,778	(1,288,448)
Office and sundry expenses	351,004	794,466	(443,462)
Travel expenses	39,643	366,841	(327,198)
Accretion	285,664	695,386	(409,722)
Provision for expected loss	8,772,738	-	8,772,738

- Salaries and wages decreased by \$2,501,803 from \$6,369,263 for the nine-month ended September 30, 2022, to \$3,867,460 for the nine-month ended September 30, 2023. Most of these costs were incurred in the US operations and the decrease is related to the decrease in headcounts during the second quarter of 2023. Salaries and wages for the nine months period ended September 30, 2023, included one-time termination costs of \$484,995.
- Professional fees decreased by \$330,368 from \$2,754,223 for the nine-month ended September 30, 2022, to \$2,423,855 for the nine-month ended September 30, 2023. Professional fees include consulting fees, legal fees, accounting, and audit fees. The decrease is due to the decrease in consulting fees.

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- Share based compensation decreased from \$4,882,720 for the nine-month period ended September 30, 2022, to \$453,668 for the nine-month period ended September 30, 2023, a decrease of \$4,429,052 for expenses related to stock option grants, representing the amortization of fair market value of incentive stock options granted using the Black-Scholes valuation model and expenses related to restricted share units. The fair value of the share based compensation granted in 2023 is much lower than 2022 due to the decrease in the market price of the shares of the Company.
- Advertising and promotion expenses totaled \$204,330 for the nine-month period ended September 30, 2023, as compared to \$1,492,778 for the nine-month period ended September 30, 2022, a decrease of \$1,288,448. The decrease is directly related to the decrease in lease origination revenue and the market awareness program costing \$520,000 for the nine months period ended September 30, 2022.
- Travel expenses decreased from \$366,841 for the nine-month period ended September 30, 2022, to \$39,643 for the nine-month period ended September 30, 2023, a decrease of \$327,198 in relation to client visits, management, sales and business development meetings in the United States.
- Accretion expense primarily relates to the amortization of interest expense on long-term debt. The accretion expense decreased by \$409,722 from \$695,386 for the nine-month period ended September 30, 2022, to \$285,664 for the nine-month period ended September 30, 2023. The decrease was due to the accretion of the long-term debt in 2022 that was settled in full during the period.
- During the period ended September 30, 2023, management completed a review of certain lease contracts and identified lease contracts that fall within the repurchase clause of the Forward Flow Purchase and Security Agreement. An amount of \$8,772,738 has been accounted for as Provision for expected loss.

### Summary of Quarterly Results

The summary of financial results for the third quarter of 2023 and for the seven preceding quarters are noted below.

	2023/2022			
	Q3	Q2	Q1	Q4
Revenue (\$)	555,398	497,549	838,693	2,054,728
Net Loss (\$)	1,847,089	11,037,710	3,246,845	9,844,576
Net Loss per share (basic and diluted)	0.06	0.035	0.01	0.039

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	2022/2021			
	Q3	Q2	Q1	Q4
Revenue (\$)	2,066,250	4,135,066	6,149,037	8,148,893
Net Loss (\$)	3,676,859	10,737,296	6,280,216	9,312,157
Net Loss per share (basic and diluted)	0.01	0.03	0.03	0.04

Revenue for the four quarters of 2022 includes revenue from discontinued operations of three business units. Most of the Company's revenue is generated from the Drivrz Financial lease origination and servicing platform. The Company's quarterly revenue has generally trended downwards over the past several quarters due to a decrease in the number of lease originations. The decrease in revenue from Q4 2021 is from the higher prices of used vehicles, lower than expected inventory levels, unexpected supply chain constraints and the impact of availability of credit facility, thereby reducing lease counts.

The net loss for each of the last eight quarters has varied and has decreased from Q1/2023 as the lease counts decreased and the Company made efforts to reduce costs. See section "Discussion of Operations"-Three months ended September 30, 2023, and 2022, for discussion on Q3 2023 net loss.

### **Liquidity and Capital Resources**

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

The Company had \$4,209,210 in cash and cash equivalents on hand, at September 30, 2023, compared to \$10,299,414 as at December 31, 2022.

Cash used by operating activities was \$4,995,443 for the nine-month period ended September 30, 2023, as compared to cash used in operating activity of \$5,544,641 for the nine-month period ended September 30, 2022. Operating activities for the nine-month period ended September 30, 2023, were affected by the decrease in net loss for the nine months ended September 30, 2023, as compared to nine months ended September 30, 2022. Further the net loss from discontinued operation for the nine months ended September 30, 2022, was \$6,089,575.

Net cash used in investing activities totaled \$118,355 for the nine-month period ended September 30, 2023, as compared to \$4,972,633 for the nine-month period ended September 30, 2022. For the nine-month period ended September 30, 2022, cash was used for development costs of intangible assets, of \$2,133,791 and for the nine months period ended September 30, 2023, cash was used for self-funded lease contracts of \$462,446.

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Net cash used in financing activities was \$973,113 for the nine-month period ended September 30, 2023, as compared to cash provided by financing activities of \$23,000,884 for the nine-month period ended September 30, 2022. For the nine-months period ended September 30, 2022, the Company raised funds from the issuance of common shares in private placements for \$23,195,291 and the funds received from related parties were used for payment of debts.

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

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

As of September 30, 2023, the Company had 299,282,129 common shares issued and outstanding.

As of September 30, 2023, the Company had current liabilities comprised of the following:

- accounts payable and accrued liabilities in the amount of \$13,053,583,
- seller reserve provision of \$32,414,
- current portion of lease liability of \$689,738,
- current portion of debt of \$2,429,595 and
- government assistance of \$60,000, and

In addition, at September 30, 2023 the Company had long-term lease liability of \$1,990,386 and long term debt of \$333,503.

As of September 30, 2023, and December 31, 2022, the Company had net current assets of (deficit) (\$10,631,038) (current assets less current liabilities) and \$4,675,529 respectively. The working capital has decreased for the nine-month period ended September 30, 2023, due to a decrease in cash balance from use for operating activities.

## **Reconciliation and Definition of Non-IFRS Measures**

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

### **Gross revenue**

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

**Earnings before Interest, Taxation, Depreciation and Amortization (“EBITDA”)**

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

The following chart reflects the calculation of EBITDA:

	Three months ended		Three months ended	
	September 30, 2023	September 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
<b>Net (loss) income</b>	(1,847,089)	(3,620,534)	(11,034,604)	(5,394,652)
Add: Interest	12,173	19,844	19,757	53,975
Add: Depreciation and amortization	176,243	270,808	223,937	306,648
Add: Accretion	95,996	117,897	95,946	397,456
<b>EBITDA</b>	<b>(1,562,677)</b>	<b>(3,211,985)</b>	<b>(10,694,964)</b>	<b>(4,636,573)</b>

EBITDA loss for the three months ended September 30, 2023, is lower as compared to the three months ended September 30, 2022, due to decrease in total operating expenses by \$2,213,308 which are mostly described above in the comparison of operating results for the three-months period ended September 30, 2023 to September 30, 2022.

**Adjusted EBITDA**

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

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

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	Three months ended		Three months ended	
	September 30, 2023	September 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
<b>EBITDA as above</b>	(1,562,677)	(3,211,985)	(10,694,964)	(4,636,573)
Add: Share based compensation	160,058	932,927	163,317	1,138,555
Add: Foreign exchange loss (gain)	(442)	(172,354)	2,062	57,199
Add: Provision for expected loss	(13,034)	-	8,785,772	-
Add: Impairment of intangible assets	-	13,617	-	1,740,401
Add: Unrealized loss (gain)	(35,465)	(21,832)	(40,142)	(184,730)
<b>Adjusted EBITDA</b>	<b>(1,451,560)</b>	<b>(2,459,627)</b>	<b>(1,783,955)</b>	<b>(1,885,148)</b>

The adjusted EBITDA has decreased for the three months ended September 30, 2023, and September 30, 2022. There were no lease originations for the three months period ended September 30, 2023. Management believes adjusted EBITDA as a more appropriate key performance indicator to measure as the two major items that flow through the income statement are human capital costs and amortization and depreciation (non-cash), and therefore better reflects the Company's performance.

### **Off-Balance-Sheet Arrangements**

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

### **New Accounting Standards and recent pronouncements**

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

#### IAS 1 – Presentation of Financial Statements

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

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

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



#### IAS 12 – Income Taxes

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

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

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

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

### **Capital risk management**

The Company manages and adjusts its capital structure based on available funds in order to support its business development efforts, completing and implementing its strategic partnerships, developing a customer support infrastructure, enhancing its software development efforts, and for general and administrative expenditures. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. As of September 30, 2023, the capital structure of the Company consisted of common shares, common share purchase warrants, stock options and restricted share units.

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

### **Financial Instruments**

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

### **Liquidity risk**

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

As of September 30, 2023, the Company had a net current assets deficit of \$10,631,038 (current assets less current liabilities).

### **Credit risk**

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

### **Market risk**

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

### **Currency risk**

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

### **Fair value hierarchy**

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

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

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

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

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

## **Related Party Transactions**

### (a) Compensation of key management personnel of the Company

Key management personnel include those 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 nine months ended September 30, 2023, and 2022 was as follows:

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

The above amounts in i to v totaling \$294,653 (2022 - \$501,407) are included in Professional fees and \$131,220 (2022 - \$131,220) is included in Salaries and wages in the Statement of loss. The Company incurred professional fees of \$605,565 (September 30, 2022 - \$nil) for services rendered by an entity controlled by a shareholder.

At September 30, 2023, the total amount payable to key management personnel of the Company and an entity controlled by a shareholder amounted to \$777,400 (December 31, 2022 - \$169,300) and recorded in Accounts payable and accrued liabilities.

### (b) Loans from Shareholders, Officers and Directors

- (i) As at September 30, 2023, the due to related parties loan balance of \$33,800 (December 31, 2022 - \$33,860), consisted of funds received from shareholders for working capital. This loan was interest bearing at 9% per annum due on demand.
- (ii) On May 4, 2022, a loan agreement was executed between the Company and D2D Auto Auction LLC for a total amount of \$4,534,092 (US\$3,519,711.36) at an interest rate of 3.75% per annum. On June 22, 2022, the principal amount of the loan was repaid in full by issue of 15,113,640 units in the Company. See Note 19(c). An additional advance of \$328,106 (US\$254,622) was provided by D2D Auto Auction LLC for operating expenses. This was repaid in full during the year ended December 31, 2022.

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(iii) The Company and a shareholder (former CEO) entered into loan agreements for a total amount of \$4,324,013 advanced to the Company, that is due on demand and at an interest rate of 2.25% per annum. During the year ended December 31, 2022, the shareholder advanced total of \$1,697,905, for operating expenses. On June 22, 2022, upon closing of the first tranche of the private placement, the Company paid the shareholder \$2,000,000 as per the agreement and agreed to pay the remaining principal loan balance of \$2,324,013 after a period of 18 months. This is measured at fair value on initial recognition. The fair value is determined using an effective interest rate of 13.80%, taking into account the rate that the Company would have obtained a similar debt. In December 2022, an amount of \$633,150 was adjusted to this loan balance being the consideration for sale of a business unit. See note 26. The present value of the debt at September 30, 2023 is \$1,772,402 (December 31, 2022 is \$1,614,529), and interest accretion of \$158,014 for the nine months ended September 30, 2023 is recorded in the consolidated statements of loss.

(c) Transactions with Related Parties

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

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

## Share Capital

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2023 the Company had 299,282,129 (December 31, 2022 – 298,765,462) common shares issued and outstanding. As at September 30, 2023 there were 95,217,951 (December 31, 2022 – 107,916,455) warrants outstanding which entitle the holders to purchase one common share of the Company. Stock options outstanding as of September 30, 2023, were 5,645,125 (December 31, 2022 – 10,937,193) which entitle the holders to purchase one common share of the Company. The number of exercisable stock options as at September 30, 2023 was 5,148,562.

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

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Common shares at September 30, 2023	299,282,129
Shares issued from vesting of RSUs	66,666
Common shares at November 29, 2023	299,348,795
Warrants outstanding at September 30, 2023	95,217,951
Warrants outstanding at November 29, 2023	95,217,951
Stock options outstanding at September 30, 2023	5,645,125
Stock options outstanding at November 29, 2023	5,645,125
Restricted share units at September 30, 2023	4,823,500
Shares issued from vesting of RSUs	(66,666)
Restricted share units at November 29, 2023	4,756,834
Total Issued and outstanding common shares at November 29, 2023	404,968,705

### **Disclosure of Internal Controls**

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

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

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the timeperiods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

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

## **Risks and Uncertainties**

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

### Liquidity Concerns and Future Financings

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

### Dilution Risk

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

### Profitability

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

#### Foreign Exchange

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

#### Competition

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

#### Conflicts of Interest

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

#### Principal Shareholder with Controlling Interest

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

#### Dividends

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

Litigation

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

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

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

Jeff Schagren v. Drivrz Financial LLC, 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 was set for trial on December 5, 2022. On May 13, 2022, the parties reached an out of court settlement, which resulted in full and complete mutual releases of all claims asserted or that could have been asserted between the parties. The case has been dismissed.

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

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



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

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

#### Foreign Operations

As of September 30, 2023, the Company only had operations that were located in Canada and the United States.

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

#### **Contingent liability**

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

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

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

## **Subsequent Events**

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

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

### Additional Information

For additional information, please see [www.powerbandsolutions.com](http://www.powerbandsolutions.com).