POWERBAND SOLUTIONS INC.
Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2024 and 2023
(Expressed in Canadian Dollars)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of PowerBand Solutions Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

POWERBAND SOLUTIONS INC.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Note	As at, June 30, 2024 (Unaudited)	As at, December 31, 2023 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	6	$ **2,220,567**	$ 1,937,182
Accounts receivable, net	7	**142,597**	411,242
Other current assets	8	**211,781**	218,151
Total current assets		**2,574,945**	2,566,575
Non-current assets			
Property and equipment, net	9, 11	**1,038,083**	1,726,537
Right-of-use asset	12	**-**	2,006,855
Investment	10	**340,830**	564,888
Total non-current assets		**1,378,913**	4,298,280
Total assets		$ **3,953,858**	$ 6,864,855
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	13, 18	$ **3,756,332**	$ 3,004,251
Provision for potential loss on lease contracts	24	**10,117,516**	12,217,512
Seller reserve provision		**32,815**	31,709
Lease obligation - current portion	14	**-**	688,524
Government assistance	15	**60,000**	60,000
Debt - current portion	9, 18	**2,353,516**	2,499,466
Total current liabilities		**16,320,179**	18,501,462
Non-current liabilities			
Lease obligation - long term portion	14	**-**	1,768,367
Long-term debt	9	**-**	186,822
Total non-current liabilities		**-**	1,955,189
Total liabilities		**16,320,179**	20,456,651
Shareholders' Equity (Deficiency)			
Share capital	16	**67,894,809**	65,785,071
Reserves	16	**17,456,217**	16,992,919
Other comprehensive income		**694,576**	1,210,623
Deficit		**(96,901,516)**	(96,010,564)
Total shareholders' equity (deficiency) attributed to owners		**(10,855,914)**	(12,021,951)
Non-controlling interest	17	**(1,510,407)**	(1,569,845)
Total shareholders' equity (deficit)		**(12,366,321)**	(13,591,796)
Total liabilities and shareholders' equity (deficiency)		$ **3,953,858**	$ 6,864,855

Nature of operations and going concern (note 1); Subsequent events (note 25)
Approved on behalf of the Board of Directors:

"Jeff Morgan" (signed)
Director

"Bryan Hunt" (signed)
Director

POWERBAND SOLUTIONS INC.

Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Continuing operations				
Revenue				
Lease vehicle income	**41,288**	108,524	**$ 117,136**	$ 220,893
Lease originations and servicing revenue	**500,878**	389,025	**1,052,362**	1,115,349
	542,166	497,549	**1,169,498**	1,336,242
Cost of goods sold				
Lease vehicle depreciation (note 11)	**11,767**	35,792	**32,163**	71,846
Lease acquisition and servicing costs	**299,456**	391,744	**569,358**	702,692
	311,223	427,536	**601,521**	774,538
Gross Profit	**230,943**	70,013	**567,977**	561,704
Expenses				
Salaries and wages (note 18, 21)	**1,616,625**	973,559	**2,502,758**	2,982,590
Professional fees (note 18)	**152,301**	717,063	**772,155**	1,514,490
Share based compensation (note 16(e))	**461,371**	163,317	**467,342**	293,610
Regulatory fees	**46,070**	63,057	**73,394**	80,594
Insurance	**41,122**	123,881	**104,225**	258,693
Advertising and promotion	**22,667**	34,675	**41,249**	184,227
Rent and Utilities	**20,163**	60,377	**20,163**	108,828
Office and sundry expenses	**77,470**	164,637	**125,360**	294,155
Travel expense	**3,254**	21,702	**11,472**	51,464
Deferred rent adjusted for cancellation of lease (note 14)	**(462,285)**	-	**(462,285)**	-
Telephone	**12,555**	29,204	**25,414**	77,598
Interest and bank charges	**15,393**	19,757	**31,105**	30,295
Depreciation of tangible assets (note 11)	**7,972**	47,463	**12,775**	95,317
Depreciation of right of use assets (note 12)	**-**	176,474	**-**	354,092
Accretion (note 14, 18)	**-**	95,946	**-**	189,668
Foreign exchange loss (gain)	**(620)**	2,062	**(69,563)**	2,414
	2,014,058	2,693,174	**3,655,564**	6,518,035
Income (loss) from operations	**(1,783,115)**	(2,623,161)	**(3,087,587)**	(5,956,331)
Other income (expense)				
Other income (loss) (note 11)	**(1,216)**	334,187	**(49,441)**	411,712
Provision for potential (loss) adjustment on lease contracts (note 24)	**2,507,205**	(8,785,772)	**2,507,205**	(8,785,772)
Unrealized gain (loss) on fair value adjustment (note 10)	**(72,107)**	40,142	**(224,058)**	36,426
	2,433,882	(8,411,443)	**2,233,706**	(8,337,634)
Income (loss) before taxes	**650,767**	(11,034,604)	**(853,881)**	(14,293,965)
Income taxes				
Net Income (loss) from continuing operations	**$ 650,767**	$ (11,034,604)	**$ (853,881)**	$ (14,293,965)

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

POWERBAND SOLUTIONS INC.

Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited)

		Three months ended June 30, 2024		Three months ended June 30, 2023		Six months ended June 30, 2024		Six months ended June 30, 2023
Discontinued operations								
Income (loss) for the year from discontinued operations (note 24)		-		(3,106)		-		9,410
Net Income (loss) for the period		**650,767**		(11,037,710)		**(853,881)**		(14,284,555)
Net loss attributable to:								
Equity holders of PowerBand Solutions Inc.		**571,961**		(10,483,363)	**$**	**(890,952)**	$	(13,617,660)
Non-controlling interest (note 17)	**$**	**78,806**		(554,347)	**$**	**37,071**	$	(666,895)
Basic and diluted net loss per share-Equity holders of PowerBand Solutions Inc. from continuing and discontiuing operations	**$**	**0.002**	**$**	**(0.035)**	**$**	**(0.003)**	**$**	**(0.046)**
From continuing operations		**0.002**		**(0.035)**	**$**	**(0.003)**		**(0.046)**
Weighted average number of common shares outstanding - basic and diluted		**347,354,520**		299,282,129		**323,252,336**		299,144,405

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

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

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Net Income (loss)	**650,767**	(11,037,710)	**$ (853,881)**	$ (14,284,555)
Other comprehensive income				
Gain (loss) on foreign currency translation	**(120,088)**	(303,724)	**(493,680)**	122,180
Total comprehensive loss	**$ 530,679**	$ (11,341,434)	**$ (1,347,561)**	$ (14,162,375)
Total comprehensive loss attributable to:				
Equity holders of PowerBand Solutions Inc	**564,475**	(10,674,485)	**$ (1,362,265)**	$ (13,489,437)
Non-controlling interest	**(33,796)**	(666,949)	**$ 14,704**	$ (672,938)

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

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

Six Months Ended June 30,	2024	2023
Cash flows provided by (used in) operating activities		
Net loss for the period	**$ (853,881)**	$ (14,284,555)
Net (Income) loss from discontinued operations	**-**	(9,410)
Net loss from continuing operations	**(853,881)**	(14,293,965)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Accretion on lease liability (note 14)	**-**	87,704
Accretion on loan (note 18(c))	**-**	101,964
Depreciation of tangible assets (note 11)	**44,938**	167,163
Depreciation of right of use assets (note 12)	**-**	354,092
Foreign exchange loss (gain)	**(69,563)**	2,414
Deferred rent adjustment for cancellation of lease liability (note 14)	**(462,285)**	-
Unrealized loss (gain) on fair value adjustment (note 10)	**224,058**	(36,426)
Provision for potential loss on lease contracts (note 24)	**(2,507,205)**	8,785,772
Loss on disposition of leased vehicle asset	**67,232**	25,660
Share based compensation (note 16(e))	**467,342**	293,610
	(3,089,364)	(13,297,784)
(Increase) Decrease in:		
Accounts receivable	**294,187**	(268,578)
Other current assets	**(3,825)**	380,944
Increase (Decrease) in:		
Accounts payable and accrued liabilities	**669,297**	234,622
Seller reserve provision	**-**	67
Net cash provided by (used in) operating activities	**(2,129,705)**	(12,950,729)
Cash flows provided by (used in) investing activities		
Purchase of property and equipment (note 11)	**-**	(463,132)
Proceeds from disposition of Leased vehicle asset (note 9)	**629,959**	200,488
Net cash provided by (used in) investing activities	**629,959**	(262,644)

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

Six Months Ended June 30,		2024		2023
Cash flows provided by (used in) financing activities				
Private placements, net		**2,105,694**		-
Payment of debt (note 11)		**(363,512)**		(102,366)
Payment of lease liability, net of deposits received (note 14)		**-**		(457,808)
Net cash (used in) provided by financing activities		**1,742,182**		(560,174)
Net change in cash		**242,436**		(13,773,547)
Effect of exchange rate changes on cash held in foreign currencies		**40,949**		(67,744)
Cash, beginning of period		**1,937,182**		10,299,414
Cash, end of period	**$**	**2,220,567**	$	(3,541,877)

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

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

	Number of issued and outstanding shares #	Share Capital $	Reserves $	Other comprehensive income $	Non-controlling interest $	Deficit $	Total Shareholders equity $
Balance December 31, 2022	**298,765,462**	**65,699,571**	**16,570,059**	**948,816** -	**595,741**	**(75,252,483)**	**7,370,222**
Restricted share units issued	516,667	84,500	(84,500)	-	-	-	-
Share-based compensation	-	-	293,610	-	-	-	293,610
Foreign currency translation	-	-	-	116,137	6,043	-	122,180
Loss for the period	-	-	-	-	(666,895)	(13,617,660)	(14,284,555)
Balance, June 30, 2023	299,282,129	65,784,071	16,779,169	1,064,953	(1,256,593)	(88,870,143)	(6,498,543)
Balance December 31, 2023	**299,348,796**	**65,785,071**	**16,992,919**	**1,210,623**	**(1,569,845)**	**(96,010,564)**	**(13,591,796)**
Private placements	146,466,662	2,197,000	-	-	-	-	2,197,000
Share issue costs	-	(91,306)	-	-	-	-	(91,306)
Restricted share units issued	50,000	4,044	(4,044)	-	-	-	-
Share-based compensation	-	-	467,342	-	-	-	467,342
Foreign currency translation	-	-	-	(516,047)	22,367	-	(493,680)
Income (Loss) for the period	-	-	-	-	37,071	(890,952)	(853,881)
Balance, June 30, 2024	445,865,458	67,894,809	17,456,217	694,576	(1,510,407)	(96,901,516)	(12,366,321)

The accompanying notes are an integral part of these condensed interim 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 at Suite 300, 1100 Burloak Drive, Burlington, Ontario, L7N 6B2. The registered office is located at 745 Thurlow Street, Suite 2400, Vancouver, BC, Canada V6E 0C5. The Company develops, markets and sells access to cloud-based transaction platforms to finance and lease new and used vehicles.

These unaudited condensed interim 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 discharge its 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. The Company incurred a loss of $853,881 (June 30, 2023 - $14,284,555), of which $37,071 (June 30, 2023 - $666,895) was attributed to the non-controlling interest during the six months ended June 30, 2024, and as of that date, the Company had a deficit of $96,901,516 (December 31, 2023 - $96,010,564). During the year ended December 31, 2022, and 2023, the Company repurchased certain lease contracts from a financial institution as a result of the repurchase clause of the Forward Flow Purchase and Security Agreement. Refer to note 9 and note 24. As at June 30, 2024, the Company has a working capital deficit of $13,745,234.

The continuity of the Company's operations is dependent on raising future financing for working capital and obtaining profitable operations. Management anticipates that such financing will be required in the next three months. While management believes that it will be able to secure the necessary financing through shareholders loans and the issuance of new equity or debt instruments, 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 material, could be required to the carrying values of the assets and liabilities. These financial statements do not reflect any adjustments to the carrying values 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 unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issuance on August 19, 2024.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2023. However, this interim financial report provides selected significant disclosures that are required in the annual audited consolidated financial statements under IFRS.

2. BASIS OF PREPARATION (continued)

Statement of compliance (continued)

Except as described below, these unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2023.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2024.

Certain amounts in prior years have been reclassified to conform to the current period presentation.

3. MATERIAL ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and, therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2023. In the opinion of the management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six months ending June 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

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. The Company does not expect that the adoption of the following standards will have a material impact on the consolidated financial statements in future periods. There was no significant impact of new guidance applicable for the period ended June 30, 2024.

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

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

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.

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:

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

<u>Going concern evaluation</u>
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.

<u>Share-based payments</u>
The Company provides incentives via share-based payment entitlements (Note 16). 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.

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

<u>Impairment of long-lived assets</u>

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 period ended June 30, 2024, no impairment loss was recognized for the Company’s tangible and intangible assets.

<u>Impairment of goodwill</u>

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.

<u>Leases</u>
<u>Critical judgments in determining the lease term</u>
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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 and other contractual obligations. 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. As at June 30, 2024, the Company recorded a liability of $502,267 (December 31, 2023 - $563,887) as a provision for claw back.

Leases – company as lessor
Significant judgements are used in the determination of the economic life of a vehicle. Management estimates the economic life of the vehicle as 200,000 miles. At the inception of each lease, it is classified as finance lease, or an operating lease based on meeting the threshold of 75% or more the economic life and the present value of the lease payments amount to 90% or more of the fair value of the underlying asset.

Provision for expected credit losses
The Company performs impairment testing annually for accounts and loan receivable in accordance with IFRS 9. The Expected Credit Loss ("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.

Provision for potential loss on lease contracts
Estimating the provision for potential loss on lease contracts requires careful consideration of several significant judgments and assumptions. These judgments must be consistently reviewed and updated in light of new information and changing circumstances to ensure that the provision remains accurate and reliable.

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 the consolidated statements of loss over the period of the borrowing costs using the effective interest method. A 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 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 the 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. A significant judgement is applied due to the lack of external market information and uncertainties associated with future cash flow projections.

5. 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 to 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 was registered and based in Arkansas, United States.

The Company owned 50% of the voting shares and 50% of the net assets of D2DAA. During the year ending December 31, 2023, D2DAA incurred losses of $133,544 (Year Ended December 31, 2022 - $2,437,077). The Company recognized losses up to the amount of investment balance resulting in an Interest in Joint Venture in Canadian dollar equivalent of $nil at December 31, 2023 (December 31, 2022 - $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 from the fiscal year ending December 31, 2021.

D2DAA was dissolved on May 22, 2024.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds held in Canadian and American financial institutions broken down as follows:

	June 30, 2024	December 31, 2023
	$	$
Cash at Canadian bank on hand*	1,246,682	570,438
Cash at American bank on hand**	973,885	1,366,744
	2,220,567	1,937,182

*Balance consists of $nil (December 31, 2023 - $455,000) held in guaranteed investment certificates (GICs) with Canadian financial institutions. The GICs have a maturity date of September 11, 2024, earning an annual interest rate of 4.60%. GICs are redeemable by the Company on demand and therefore are classified as Cash and cash equivalents.

**Includes restricted cash of $171,918 (December 31, 2023 - $166,046) based on terms of the agreement with financial institutions.

7. ACCOUNTS RECEIVABLE

	June 30, 2024	December 31, 2023
	$	$
Accounts receivable	2,417,670	2,668,366
Less: Expected credit losses	(2,275,073)	(2,257,124)
	142,597	411,242

For the six months ended June 30, 2024, a provision for expected credit loss of $nil (December 31, 2023 - $490,632) is related to one customer.

(Unaudited - Expressed in Canadian dollars)

8. OTHER CURRENT ASSETS

The other current assets include prepaid expenses, and HST receivable as noted in the table.

	June 30, 2024	December 31, 2023
	$	$
Prepaid expenses	178,595	168,574
HST receivable	33,186	49,577
	211,781	218,151

During the six-month ended June 30, 2024, a write-off for uncollectable sales tax of $nil (December 31, 2023 - $79,950) was recorded.

9. LEASED VEHICLES

Leased vehicles represent the lease contracts repurchased by the Company's subsidiary, Drivrz Financial from the financial institution based on the terms of the Forward Flow Purchase and Security Agreement and the lease contracts that are self-funded totaling $1,006,084 at June 30, 2024 (December 31, 2023 - $1,682,717), net of depreciation. At lease inception the Company determined whether each lease is a financing, or an operating lease and they are classified accordingly. During the six months ended June 30, 2024, the Company sold some of the leased vehicles for gross proceeds of $629,959 and reported a loss from sale of $67,232 that is included in other expenses in the statement of loss. See note 18 for notes relating to sale of leased vehicles to related party. No impairment loss was recognized for the six months ended June 30, 2024. (March 31, 2023 - $nil). All these leases are reported as Property and equipment (see Note 11).

Lease payments received from the leased contracts are recorded as lease vehicle income on a straight-line basis. The cost of the vehicle is depreciated on a straight-line basis over the remaining estimated economic life of the vehicle, and this is recorded in the cost of goods sold as lease vehicle depreciation. For the six months ended June 30, 2024, the Company recorded lease vehicle income of $117,136 (six months ended June 30, 2023 - $220,893) and lease vehicle depreciation of $32,163 (six months ended June 30, 2023 - $71,846).

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. The fair value of the total amount of debt is determined using the effective interest rate of 5% per annum. The present value of the debt at June 30, 2024 is $452,628 (December 31, 2023 is $791,263) and is reported as current debt of $452,628 (December 31, 2023 - $604,441) and long term debt of $nil (December 31, 2023 - $186,822), respectively.

10. INVESTMENT

On July 18, 2018, the Company signed a Letter of Intent with Zoom Blockchain Solutions Inc. ("Zoom") to establish a disruptive automotive-related blockchain and application technologies solution. Zoom was to 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. The discussion between the Company and Zoom did not materialize and there was no further progress. On May 13, 2021, the deposit was exchanged for 10% secured convertible notes payable in Rego Payment Architectures Inc., a Delaware corporation, parent company of Zoom, with initial maturity date of October 31, 2022, further extended from June 30, 2024 to December 31, 2024. See note 25(1). The investment was recorded at fair value of US$248,691 ($340,830 CAD) (December 31, 2023 - US$426,765 ($564,888 CAD)) including the amount of interest accrued as of June 30, 2024. An unrealized loss of $224,058 was recorded for the six months ended June 30, 2024 (six months ended June 30, 2023 – unrealized gain of $36,426).

(Unaudited - Expressed in Canadian dollars)

10. INVESTMENT (continued)

The Letter of Intent with Zoom was considered void and the investment in Rego Payment Architectures Inc. is a passive investment.

11. PROPERTY AND EQUIPMENT

	Furniture fixtures and equipment	Computer equipment	Leasehold improvements	Software	Leased vehicles	Total
	$	$	$	$		$
Cost						
Balance at December 31, 2022	341,460	108,225	8,709	246,467	1,828,757	2,533,619
Additions	-	-	-	-	463,819	463,819
Disposal	-	-	-	-	(437,246)	(437,246)
Impairment	-	-	-	-	-	-
Currency translation adjustment	(200)	(606)	(91)	(148)	(21,238)	(22,283)
Balance at December 31, 2023	341,260	107,619	8,618	246,319	1,834,092	2,537,909
Additions	-	-	-	-	-	-
Disposal	-	-	-	-	(692,552)	(692,552)
Impairment	-	-	-	-	-	-
Currency translation adjustment	-	850	102	-	48,082	49,034
Balance at June 30, 2024	341,260	108,469	8,720	246,319	1,189,622	1,894,392
Accumulated depreciation						
Balance at December 31, 2022	284,215	46,027	3,840	203,704	28,069	565,855
Depreciation	57,045	21,409	1,142	42,615	123,306	245,517
Balance at December 31, 2023	341,260	67,436	4,982	246,319	151,375	811,372
Depreciation	-	9,037	3,738	-	32,163	44,938
Balance at June 30, 2024	341,260	76,473	8,720	246,319	183,538	856,310
Net book value						
Balance at December 31, 2023	0	40,183	3,636	- 0	1,682,717	1,726,537
Balance at June 30, 2024	0	31,996	0	- 0	1,006,084	1,038,083

Depreciation for the six months ended June 30, 2024, included $nil (year ended December 31, 2023 - $2,127) reported as discontinued operations.

(Unaudited - Expressed in Canadian dollars)

12. RIGHT OF USE ASSETS

	Canada	USA	Total
Cost	$	$	$
Balance as at December 31, 2022	355,380	4,873,566	5,228,946
Additions	-	-	-
Deduction from disposal	-	-	-
Currency translation adjustment	-	(50,450)	(50,450)
Balance as at December 31, 2023	355,380	4,823,116	5,178,496
Additions	-	-	-
Deduction from cancellation	-	(2,057,821)	(2,057,821)
Currency translation adjustment	-	50,966	50,966
Balance as at June 30, 2024	355,380	2,816,261	3,171,641
Accumulated depreciation			
Balance as at December 31, 2022	(315,890)	(2,186,118)	(2,502,008)
Depreciation	(39,490)	(630,143)	(669,633)
Balance as at December 31, 2023	(355,380)	(2,816,261)	(3,171,641)
Depreciation	-	-	-
Balance as at June 30, 2024	(355,380)	(2,816,261)	(3,171,641)
Net carrying amount			
At December 31, 2023	-	2,006,855	2,006,855
At June 30, 2024	-	0	0

The Company had leased property for its offices in Canada and the USA, which had been capitalized as a right-of-use asset under IFRS 16. In the first quarter of 2024, the Company vacated the office in USA and the lease has since been terminated. On April 1, 2024, the Company entered a month-to-month lease arrangement for office space in USA from a related party, (see Note 18) hence the right-of-use asset and lease liability has been removed. See Note 14 for associated lease liability.

13. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	June 30, 2024	December 31, 2023
	$	$
Trade payables	2,070,813	1,699,309
Accrued liabilities	1,685,519	1,304,942
	3,756,332	3,004,251

14. LEASES

The Company had leased office space in Canada, and in USA. On adoption of IFRS 16, the Company recognized lease liabilities. The term of the Canadian leases was for 5 years with an option to renew, and the USA lease had a term of 9 years with an option to renew. The term of the Canadian lease expired on June 30, 2023, and was not renewed. The lease for the office in USA was terminated and replaced with a month-to-month lease, hence the right-of-use asset and lease liability has been removed. The amount of $462,285 is recorded in the statement of loss for adjustment to deferred rent from the cancellation of the lease.

(Unaudited - Expressed in Canadian dollars)

14. LEASES (continued)

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.

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

	Canada	USA	Total
	$	$	$
Balance as at December 31, 2022	52,436	3,166,432	3,218,868
Repayment of lease liability	(54,541)	(812,027)	(866,568)
Accretion expense	2,105	163,815	165,920
Currency translation adjustment	-	(61,329)	(61,329)
Balance as at December 31, 2023	-	2,456,891	2,456,891
Deduction from cancellation	-	(2,517,078)	(2,517,078)
Currency translation adjustment	-	60,187	60,187
Balance as at June 30, 2024	-	(0)	(0)
Current portion			
Balance as at December 31, 2023	-	688,524	688,524
Balance as at June 30, 2024	-	-	-
Long-term portion			
Balance as at December 31, 2023	-	1,768,367	1,768,367
Balance as at June 30, 2024	-	- 0	- 0

15. 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 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 June 30, 2024, is $60,000. On January 18, 2024, the loan was converted to a term loan with interest of 5% per annum and repayable by December 31, 2026.

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.

During the year ended December 31, 2021, the Company claimed ERCs of US$593,065 ($741,094 CAD) and was reported as a reduction of Salaries and wages in the consolidated statements of Loss. The amount was expected to be settled and were disclosed within Other current assets in the Statement of Financial Position. During the year ended December 31, 2022, the Company received US$301,445 ($365,312 CAD) and the balance remaining amount of US$291,620 ($394,649 CAD) was received during the year ended December 31, 2023.

16. 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.

(Unaudited - Expressed in Canadian dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(b) Shares issued in Private Placement

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

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

The share issuance costs for both the tranches amounted to $91,306.

(c) Shares for Debt and services

On June 22, 2022, the Company settled a loan received from D2D Auto Auction LLC on May 4, 2022, for $4,534,092 (US$3,519,711.36). The loan was settled through the issuance of 15,113,640 units. Each unit is comprised of one common share and one common share purchase warrants of the Company. The warrants can be exercised within a period of 60 months from the date of issuance at an exercise price of $0.40 per share. The fair value of the 15,113,640 common shares on the date of settlement was $2,871,592 ($0.19 per share). The warrants were valued using the Black-Scholes calculator with risk free interest rate of 3.31%, volatility of 117.04% and expected life of 2.5 years, with a value of $1,497,593. The total value of the units was determined to be $4,369,185, thereby recognizing a gain of $164,907 from the settlement of the debt.

(d) Share Purchase Warrants

On June 22, 2022, in connection with a bridge loan which was settled in 2022, the Company issued 15,113,640 warrants to purchase common shares to the lender. These warrants have an exercise price of $0.40 and are exercisable for up to five years from the date of issuance. See Note 16(c).

Share purchase warrant transactions are summarized as follows:

	June 30, 2024		December 31, 2023	
	Number of share purchase warrants	Weighted average exercise price ($)	Number of share purchase warrants	Weighted average exercise price ($)
Balance, beginning of period	95,218,001	0.40	107,916,455	0.41
Warrants granted	-	-	-	-
Warrants exercised	-	-	-	-
Warrants cancelled	-	-	-	-
Warrants expired	-	-	(12,698,454)	(0.51)
Balance, end of period	**95,218,001**	**0.40**	**95,218,001**	**0.40**

A summary of the Company's share purchase warrants outstanding as at March 31, 2024 is presented below:

Number of share purchase warrants (#)	Exercise Price ($)	Expiry Date
750,000*	0.30	July 16, 2024
77,151,200	0.40	June 22, 2027
17,316,801	0.40	July 15, 2027

*These warrants expired on July 16, 2024.

The weighted average remaining contractual life of the share purchase warrants is 2.97 years.

(Unaudited - Expressed in Canadian dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(e) 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 December 13, 2023, the shareholders approved the 2023 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 59,856,425 common shares of the Company.

In January 2021, the Company granted 200,000 stock options to consultants, 68,000 vested immediately and 66,000 each vested over a period of one year and two years 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. During the three and six months ended June 30, 2024, included in the share-based compensation is $nil (2023 - $nil) and $nil (2023 - $168), respectively related to the vested portion of these options.

In June 2021, the Company granted 1,325,000 stock options to employees and consultants, 250,000 vested immediately, 300,000 vested on January 1, 2022, and January 1, 2023, respectively, 125,000 vested 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. During the three and six months ended June 30, 2024, included in the share-based compensation is $nil (2023 - $nil) and $nil (2023 - $320), respectively related to the vested portion of these options.

In October 2021, the Company granted 8,492,500 stock options to directors, consultants, and employees, 1,675,000 of which vested in two tranches on April 24, 2022, and October 26, 2022, and 6,817,500 vested 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. During the three and six months ended June 30, 2024, included in the share-based compensation is $nil (2023 - $109,951) and $nil (2023 - $218,694), respectively related to the vested portion of these options.

On June 13, 2024, the Company granted 6,000,000 stock options to consultants, which vested immediately. The stock options were issued with an exercise price of $0.14 and an expiry date three years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $251,527. During the three and six months ended June 30, 2024, included in the share-based compensation is $251,527 (2023 - $nil) and $251,527 (2023 - $nil), respectively related to the vested portion of these options.

The total share-based compensation (for both stock options and Restricted share units) for the three and six months ended June 30, 2024, is $461,371 (2023 - $163,317) and $467,342 (2023 - $293,610), respectively related to the vested portion of the stock options.

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:

	2024	**2022**	**2021**
Grant date share price	$0.055	$0.71 - $0.76	$0.29 - $0.89
Risk-free interest rate	3.71%	1.24% – 1.28%	0.39% – 0.97%
Expected life of options	1.5 years	3 years	5 years
Expected annualized volatility	230.52%	117%	115%
Expected dividend yield	-	-	-
Black-Scholes value of each option	$0.0419	$0.5369 - $0.6242	$0.233 - $0.717

(Unaudited - Expressed in Canadian dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(e) Share-based compensation (continued)

(i) Stock option plan (continued)

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

	June 30, 2024		**December 31, 2023**	
	Number of stock options	Weighted average exercise price ($)	Number of stock options	Weighted average exercise price ($)
Balance, beginning of period	5,627,000	0.4010	10,937,193	0.4550
Options issued	6,000,000	0.1400	-	0.0000
Options exercised	-	0.0000	-	0.0000
Options expired	-	0.0000	(841,000)	0.3000
Options cancelled/forfeited	-	0.0000	(4,469,194)	0.5500
Balance, end of period	11,627,000	0.2660	5,627,000	0.4010

A summary of the Company's stock options outstanding and exercisable as at June 30, 2024 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	$		$
July 10, 2024	1,100,000	0.03	0.10	1,100,000	0.10
February 12, 2025	500,000	0.62	0.22	500,000	0.22
February 25, 2025	400,000	0.65	0.16	400,000	0.16
February 27, 2025	300,000	0.66	0.21	300,000	0.21
October 20, 2025	500,000	1.31	0.22	500,000	0.22
October 27, 2025	845,000	1.33	0.22	845,000	0.22
January 4, 2026	132,000	1.51	0.29	132,000	0.29
April 16, 2026	400,000	1.79	0.72	400,000	0.72
October 26, 2026	1,450,000	2.32	0.89	1,450,000	0.89
June 13, 2027	6,000,000	2.95	0.14	6,000,000	0.14
	11,627,000	**2.11**	**0.27**	**11,627,000**	**0.27**

(Unaudited - Expressed in Canadian dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(e) Share-based compensation (continued)

(i) Stock option plan (continued)

A summary of the Company's stock options outstanding and exercisable as at December 31, 2023 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	$		$
July 10, 2024	1,100,000	0.53	0.10	1,100,000	0.10
February 12, 2025	500,000	1.12	0.22	500,000	0.22
February 25, 2025	400,000	1.15	0.16	400,000	0.16
February 27, 2025	300,000	1.16	0.21	300,000	0.21
October 20, 2025	500,000	1.81	0.22	500,000	0.22
October 27, 2025	845,000	1.83	0.22	845,000	0.22
January 4, 2026	132,000	2.01	0.29	132,000	0.29
April 16, 2026	400,000	2.29	0.72	400,000	0.72
October 26, 2026	1,450,000	2.82	0.89	1,450,000	0.89
	5,627,000	**1.72**	**0.40**	**5,627,000**	**0.40**

(ii) Restricted share unit plan

At the Company's Annual General Meeting held on December 13, 2023, the shareholders approved the 2023 Restricted Share Unit Plan, reserving for issuance a maximum of 15,000,000 common shares of the Company. The 15,000,000 Restricted Share Units are included in the 59,856,425 common shares of the Incentive Stock Option Plan (20% Fixed Plan). As at June 30, 2024, 9,406,832 RSUs have been granted and outstanding.

RSUs outstanding as at June 30, 2024:

	Number of RSUs
Balance as at December 31, 2022	**1,223,500**
Granted	4,116,667
Vested**	(583,334)
Cancelled / forfeited	(2,000,001)
Balance as at December 31, 2023	**2,756,832**
Granted	6,800,000
Vested	(50,000)
Cancelled / forfeited	(100,000)
Balance as at June 30, 2024	**9,406,832**

Vested** - this does not include 1,000,000 RSU's that vested on September 14, 2023, but shares not issued.

(Unaudited - Expressed in Canadian dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(e) Share-based compensation (continued)

(ii) Restricted share unit plan (continued)

On March 6, 2023, the Company issued 516,667 restricted share units to employees at a price of $0.045 per common share, 166,667 restricted share units vested immediately with the balance to vest over a period of three years. During the three and six months ended June 30, 2024, included in the share-based compensation is $211 (June 30, 2023 - $3,384) and $1,510 (June 30, 2023 - $11,814), respectively related to the vested portion of these units.

On March 8, 2023, the Company issued 3,600,000 restricted share units to directors and employees at a price of $0.06 per common share, that vest over a period of three years. During the three and six months ended June 30, 2024, included in the share-based compensation is $2,496 (June 30, 2023 - $49,981) and $7,168 (June 30, 2023 - $62,614), respectively related to the vested portion of these units.

On May 1, 2024, the Company issued 500,000 restricted share units to employees at a price of $0.04 per common share, that vest over a period of three years. During the three and six months ended June 30, 2024, included in the share-based compensation is $2,009 (June 30, 2023 - $nil) and $2,009 (June 30, 2023 - $nil), respectively related to the vested portion of these units.

On May 29, 2024, the Company issued 300,000 restricted share units to employees at a price of $0.055 per common share, 100,000 restricted share units vested immediately with the balance to vest over a period of two years. During the three and six months ended June 30, 2024, included in the share-based compensation is $6,223 (June 30, 2023 - $nil) and $6,223 (June 30, 2023 - $nil), respectively related to the vested portion of these units.

On June 13, 2024, the Company issued 6,000,000 restricted share units to consultants at a price of $0.055 per common share, 3,500,000 restricted share units vested immediately with the balance to vesting on the one-year anniversary. During the three and six months ended June 30, 2024, included in the share-based compensation is $198,904 (June 30, 2023 - $nil) and $198,904 (June 30, 2023 - $nil), respectively related to the vested portion of these units.

17. NON-CONTROLLING INTERESTS

	Drivrz Holdings LLC
NCI in subsidiary at June 30, 2024	5.40%
	$
At December 31, 2022	(595,741)
Foreign currency translation	(12,914)
Share of loss	(961,190)
At December 31, 2023	(1,569,845)
Foreign currency translation	22,367
Share of income	37,071
At June 30, 2024	(1,510,407)

(Unaudited - Expressed in Canadian dollars)

18. RELATED PARTY TRANSACTIONS

On March 22,2024, the Company's subsidiary, Drivrz Financial sold six lease vehicles that were capitalized and included in Property and Equipment for gross proceeds of US$381,406 (CD$514,364) to a Missouri limited liability company, in which one of the board members of the Company has substantial interest. See note 9.

The Company and its joint venture partner D2DAA were developing a consumer-focused platform named DrivrzXchange that is an inclusive multi-sided marketplace that allows buyers and sellers of all types to list and/or find vehicles. The Company has capitalized total cost of $nil (December 31, 2022 - $1,709,280) on this project as of December 31, 2023, and June 30, 2024. The total capitalized cost of $1,709,280 was recorded as impairment loss for the year ended December 31, 2022. As at June 30, 2024, accounts receivable from D2DAA are $nil (December 31, 2023 - $490,629) and a provision for expected credit loss is recorded in the consolidated statements of loss.

On April 26, 2024, the Company closed on $1,040,000 of the first tranche of a Private Placement financing, representing 69,333,332 shares at a price of $0.015 per share. Certain key management personnel of the Company subscribed for 26,666,666 common shares for gross proceeds of $400,000.

Shareholder loans and transactions

a) As at June 30, 2024, the due to related parties loan balance of $34,217 (December 31, 2023 - $33,065), consisted of funds received from shareholders for working capital. This loan was interest bearing at 9% per annum due on demand.

b) On May 4, 2022, a loan agreement was executed between the Company and D2D Auto Auction LLC for a total amount of $4,534,092 (US$3,519,711.36) at an interest rate of 3.75% per annum. On June 22, 2022, the principal amount of the loan was repaid in full by issue of 15,113,640 units in the Company. See Note 16(c).

c) On June 2, 2022, the Company and a shareholder (former CEO) entered into loan agreements for total amount of $4,324,013 advanced to the Company. On June 22, 2022, upon closing of the first tranche of the private placement, the Company paid the shareholder $2,000,000 as per the agreement and agreed to pay the remaining principal loan balance of $2,324,013 after a period of 18 months from the closing of the private placement. The loan is measured at fair value on initial recognition. The fair value is determined using an effective interest rate of 13.80%, taking into account the rate that the Company would have obtained a similar debt. In December 2022, an amount of $633,150 was adjusted to this loan balance being the consideration for sale of a business unit. The value of the debt at June 30, 2024 is $1,866,671 (December 31, 2023 is $1,861,960), and interest accretion of $nil (year ended December 31, 2023 - $209,641) for the three and six months ended June 30, 2024 is recorded in the consolidated statements of loss. The Company is in discussion with the shareholder for the repayment of this debt.

Compensation of key management personnel of the Company

Key management personnel include those people who have authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Board of Directors, corporate officers, including the Chief Executive Officer, the President, the Chief Financial Officer, Chief Operating Officer and the Chief Technology Officer.

Key management personnel compensation for the six months ended June 30, 2024, and 2023 was as follows:

i.	Chief Executive Officer (previously COO)	$60,840 (2023 -$121,677)
ii.	Chief Operating Officer	$64,795 (2023-$nil)
iii.	Chief Technology Officer	$91,395 (2023 - $87,480)
iv.	Chief Financial Officer	$75,000 (2023- $75,000)
v.	Share based compensation	$4,505 (2023 - $87,554)

(Unaudited - Expressed in Canadian dollars)

18. RELATED PARTY TRANSACTIONS (continued)

The above amounts in i and iv totaling $135,840 (2023 - $196,677) are included in Professional fees and ii and iii totaling $156,190 (2023 - $87,480) are included in Salaries and wages in the Statement of loss. The Company incurred professional fees of $nil (2023 - $202,890) for services rendered by an entity controlled by a shareholder. The Company has also incurred rent expenses of $20,163 for office space rented from an entity controlled by key management personnel. At June 30, 2024, the total amount payable to key management personnel of the Company and an entity controlled by a shareholder amounted to $396,923 (December 31, 2023 - $363,715) and recorded in Accounts payable and accrued liabilities.

19. FINANCIAL INSTRUMENTS

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its accounts receivable and other receivables. The nature of the Company’s customer base minimizes the risk exposure by limiting the counterparties with which financial transactions are entered.

The aging of the accounts receivable is as follows:

	June 30, 2024	December 31, 2023
	$	$
Current to 30 days past due	88,618	355,736
Past due (31-60 days)	7,387	1,339
Past due (> 61 days)	46,592	54,167
	142,597	411,242

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 shareholders.

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 June 30, 2024, all the Company's accounts payables and accrued liabilities had contractual terms of less than one year.

(Unaudited - Expressed in Canadian dollars)

19. FINANCIAL INSTRUMENTS (continued)

	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	3,756,332	3,756,332	-	-	-
Provision for potential loss on lease contracts	10,117,516	10,117,516	-	-	-
Government assistance	60,000	60,000	-	-	-
Debt - current	2,353,516	2,353,516	-	-	-
	16,287,364	16,287,364	-	-	-

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 has no investments in market instruments. The Company does not have interest rate risk related to its credit facilities, since all credit is done through shareholder loans and short-term loans with set interest rates. The Company's leasing activity is subject to the interest rate risk from the swift movement in interest rates that can affect the funding partners and the availability of credit.

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 six months ended June 30, 2024, if the Canadian dollar had strengthened 5% against the United States dollar, with all other variables held constant, net loss for the period would have been $34,325 higher (December 31, 2023 – lower by $622,229). 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.

19. FINANCIAL INSTRUMENTS (continued)

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

20. 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 six months ended June 30, 2024.

21. 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. A trial date was scheduled from June 17 to June 28, 2024, but the trial date lapsed because of inaction from AMSL. No new trial date has been set.

Frunzi v. MUSA Auto Holdings, LLC, Texas District Court, Dallas County, Case # DC-18-14445:
Mr. Frunzi's employment was terminated for cause on September 5, 2018. Mr. Frunzi subsequently asserted a claim for breach of his employment agreement. He seeks money damages in the amount of the severance payment specified in his employment agreement, which is an amount comprised of 18 months' base salary, his prior year's bonus, and health insurance premiums for 18 months. He also seeks the value of the profit interest units that vested under his grant agreement before his employment was terminated. In addition to money damages, Mr. Frunzi seeks a declaratory judgment that MUSA breached his employment agreement and an accounting that can be used to determine the value of the profit interest units that vested before the termination. The amount in controversy is about $427,500, not including the value of any profit interest units claimed by Frunzi. The case was submitted to non-binding arbitration and the arbitrator found that Frunzi's conduct was grounds to terminate him under common law but that there was not "cause" to terminate Frunzi under the employment agreement. The arbitrator found that Frunzi is entitled to USD $427,500 in back compensation and $102,539 in attorneys' fees. The arbitrator declined to award Frunzi any amount under the now terminated profits interest plan. The Company recorded an accrued liability for USD $534,038 (CAD $725,544) for the period ended June 30, 2024. This amount is included in salaries and wages in the statement of loss.

(Unaudited - Expressed in Canadian dollars)

21. LEGAL CLAIMS (continued)

D&P Holdings, Inc. v. PowerBand Solutions US Inc. and MUSA Auto Finance, LLC, Case No. 2021-82453, in the 295th Judicial District Court, Harris County, Texas. D&P Holdings, Inc. sued the Company and certain of its affiliates asserting a claim for breach of contract. Plaintiff alleges that the company breached an agreement that appointed Plaintiff as the exclusive provider of certain Finance and Insurance products to be offered to the Company's customers. On June 6, 2024, a Settlement and Release Agreement was executed by the parties and the lawsuit has been withdrawn.

On February 16, 2023, the Company's former Chief Compliance Officer, filed a charge of discrimination with the Dallas office of the Equal Employment Opportunity Commission ("EEOC"), alleging discrimination on the basis of sex and age and is claiming severance, compensation, benefits and equity that is contractually entitled. The Chief Compliance Officer was terminated for cause in April 2022. The EEOC rejected the charge of discrimination. Subsequently the Chief Compliance Officer filed for arbitration, seeking severance benefits alleged are due under the employment agreement. The Company intends to vigorously defend the claim asserted.

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

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

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

22. 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 period ended June 30, 2024, 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:

	Six months ended June 30, 2024			Six months ended June 30, 2023		
	Canada $	**USA** $	**Total** $	**Canada** $	**USA** $	**Total** $
Revenue						
Lease vehicle income	-	117,136	117,136	-	220,893	220,893
Lease originations and servicing revenue	-	1,052,362	1,052,362	-	1,115,349	1,115,349
	-	1,169,498	1,169,498	-	1,336,242	1,336,242

(Unaudited - Expressed in Canadian dollars)

22. SEGMENTED REPORTING (continued)

	Six months ended June 30, 2024			Six months ended June 30, 2023		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Continuing operations						
Operating loss before other income	1,325,021	(744,639)	580,382	2,056,905	12,685,198	14,742,103
Other (income) expense	215,370	58,129	273,499	(112,833)	(335,305)	(448,138)
Discontinued operations (income) loss	-	-	-	-	(9,410)	(9,410)
	1,540,391	(686,510)	853,881	1,944,072	12,340,483	14,284,555

	As At June 30, 2024			As At December 31, 2023		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Segment assets	1,724,954	2,228,904	3,953,858	1,277,255	5,587,600	6,864,855
Segment liabilities	2,391,448	13,928,731	16,320,179	2,609,454	17,847,197	20,456,651

23. DISCONTINUED OPERATIONS

On February 28, 2023, the Company discontinued the operations of its wholly owned subsidiary, IntellaCar Solutions LLC (re-branded as DrivrzLane). 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. The results of the discontinued operations, which have been included in the consolidated statement of loss for the three and six months ended June 30, 2024, and 2023, were as follows:

	Three months ended June 30, 2024	**Six months ended June 30, 2024**	**Three months ended June 30, 2023**	**Six months ended June 30, 2023**
Revenue	-	-	-	46,444
Cost of goods sold	-	-	-	6,929
Gross profit	-	-	-	39,515
Expenses	-	-	3,106	30,105
Income (Loss) on discontinued operations	**-**	**-**	**(3,106)**	**9,410**

During the period ended June 30, 2024, IntellaCar Solutions LLC, contributed $nil (six months ended June 30, 2023 - $29,553) to the Company's net operating cash flows, paid $nil (six months ended June 30, 2023 - $nil) in respect of investing activities, and received $nil (six months ended June 30, 2023 - $nil) in respect of financing activities.

24. CONTINGENT LIABILITY AND PROVISION

One of the financial institutions to whom the lease contracts were sold has requested that the Company repurchase additional lease contracts that the financial institution has identified that fall within the repurchase clause of the Forward Flow Purchase and Security Agreement. At December 31, 2022, an amount of $6,926,644 was reported as contingent liability. It was not possible at that stage to predict the outcome or provide a reasonable estimate of the amount of potential losses, therefore, no provision was recognized at December 31, 2022.

During the year ended December 31, 2023, management completed a review of certain additional lease contracts and has recorded an estimated provision for potential loss. The total amount of estimated provision for potential loss for the year ended December 31, 2023, amounted to $11,892,406. Management performs a review of the provision at each reporting period and adjusted the provision by $2,507,205 for the period ended June 30, 2024. At June 30, 2024, the total estimated amount of provision for potential loss on lease contracts reported on the statement of financial position is $10,117,516 (December 31, 2023 - $12,217,512), which includes a provision for claw back for the amount of $502,267 (December 31, 2023 - $563,887).

The Company believes that the estimated loss provision may not be representative of the actual potential loss exposure. Subsequent to year-end December 31, 2023, the Company received a communication from the financial institution verifying that there are no current legal actions by the financial institution against the Company and agreeing to coordinate with the Company to enforce claims against dealers, as applicable. The Company believes that since the total estimated amount of potential loss is an accounting estimate, the actual loss could differ based on future occurrences. Revisions to this accounting estimate will be recognized in the period in which the estimate is revised.

25. SUBSEQUENT EVENTS

Subsequent to the period ended June 30, 2024, the following corporate activities occurred:

1. The Company's investment in convertible note payable in Rego Payment Architectures Inc. had an extended maturity date of June 30, 2024. Rego Payment has requested a further extension by six months to December 31, 2024. Management is reviewing the extension document and considering the options available. See note 10.