POWERBAND SOLUTIONS INC.

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Powerband Solutions Inc.:

Opinion

We have audited the consolidated financial statements of Powerband Solutions Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss, comprehensive loss, changes in shareholder's equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a loss during the year ended December 31, 2020 and as of that date, the Company had a deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

MNP LLP

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

Vancouver, British Columbia

April 28, 2021

MNP LLP

Chartered Professional Accountants

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

As At December 31,	Note	2020	2019
ASSETS			
Current assets			
Cash	7	$ **1,403,213**	$ 243,030
Accounts receivable, net	8	**1,297,425**	994,813
Inventory	9	**18,000**	200,365
Deposits	10	**354,640**	259,760
Other current assets		**277,245**	310,096
Total current assets		**3,350,523**	2,008,064
Non-current assets			
Property and equipment, net	12	**426,093**	308,688
Goodwill	13	**2,660,549**	172,593
Intangible assets, net	13	**2,852,781**	1,632,347
Right-of-use asset	14	**3,912,622**	4,672,677
Interest in joint venture	6	**-**	268,224
Investment	11	**636,600**	-
Total non-current assets		**10,488,645**	7,054,529
Total assets		$ **13,839,168**	$ 9,062,593
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	15, 22	$ **3,171,728**	$ 2,049,600
Short term loan	16	**254,640**	100,000
Deferred revenue		**18,000**	200,300
Due to related parties	20	**4,611,421**	1,825,893
Lease obligation - current portion	17	**596,817**	551,276
Government assistance	19	**623,635**	-
Convertible debenture	18	**-**	1,387,791
Total current liabilities		**9,276,241**	6,114,860
Non-current liabilities			
Lease obligation - long term portion	17	**3,683,124**	4,356,491
Total non-current liabilities		**3,683,124**	4,356,491
Total liabilities		**12,959,365**	10,471,351
Shareholders' Equity (Deficiency)			
Share capital	20	**18,932,553**	16,217,356
Obligation to issue shares	5	**59,935**	124,184
Reserves	20	**3,568,482**	1,445,074
Equity component of covertible debenture		**-**	101,062
Other comprehensive income		**(1,348)**	10,741
Deficit		**(23,257,282)**	(19,576,102)
Total shareholders' deficiency attributed to owners		**(697,660)**	(1,677,685)
Non-controlling interest	21	**1,577,463**	268,927
Total shareholders' equity (deficiency)		**879,803**	(1,408,758)
Total liabilities and shareholders' equity (deficiency)		$ **13,839,168**	$ 9,062,593

Nature of operations and going concern (note 1); Subsequent events (note 28)

Approved on behalf of the Board of Directors:

"Kelly Jennings" (signed)
Director

"Bill Butler" (signed)
Director

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

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

Years Ended December 31,	2020	2019
Revenue		
Vehicle and auction sales	$ **284,650**	$ 79,066
Software development sales (note 22)	**1,304,813**	1,890,277
Lease origination revenue	**1,309,195**	29,414
Subscription revenue	**129,464**	-
	3,028,122	1,998,757
Cost of goods sold		
Vehicle acquisition	**242,864**	53,142
Software development	**953,685**	1,834,383
Lease acquisition	**545,649**	24,774
Subscription costs	**19,590**	-
	1,761,788	1,912,299
Gross Profit	**1,266,334**	86,458
Expenses		
Salaries and wages	**4,685,027**	2,278,890
Professional fees (note 22)	**3,701,369**	1,715,997
Share based compensation (note 20(f))	**1,956,767**	814,609
Investor relations	**69,377**	91,587
Regulatory fees	**225,415**	218,554
Insurance	**177,143**	58,068
Sales and marketing	**281,341**	433,612
Rent expense	**1,184**	-
Office and sundry expenses	**473,162**	286,057
Travel expense	**62,592**	112,424
Utilities	**65,867**	58,000
Telephone	**28,310**	17,925
Interest and bank charges	**376,577**	70,645
Amortization of intangible assets (note 13)	**675,138**	509,722
Amortization of tangible assets (note 12)	**130,339**	46,032
Amortization of right of use assets (note 14)	**705,824**	361,025
Accretion (note 17, 18)	**408,145**	226,187
Provision for expected credit loss (note 8)	**376,985**	-
Foreign exchange loss (gain)	**(74,352)**	38,429
	14,326,210	7,337,763
Loss from operations	**(13,059,876)**	(7,251,305)
Other income (expense)		
Gain (Loss) on debt settlement (note 20)	**179,504**	(264,950)
Loss on shares issued	**-**	(68,000)
Interest in joint venture (note 6)	**(287,665)**	(757,273)
	(108,161)	(1,090,223)
Loss before taxes	**(13,168,037)**	(8,341,528)
Income taxes		
Current recovery (expense) (note 27)	**325,424**	291,415
Net loss	$ **(12,842,613)**	$ (8,050,113)
Net loss attributable to:		
Equity holders of PowerBand Solutions Inc.	$ **(9,969,232)**	$ (7,026,560)
Non-controlling interest (note 21)	$ **(2,873,381)**	$ (1,023,553)
Basic and diluted net loss per share	$ **(0.110)**	$ (0.101)
Weighted average number of common shares outstanding - basic and diluted	**116,808,546**	79,927,545

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

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

Years Ended December 31,	**2020**	**2019**
Net loss	**$ (12,842,613)**	$ (8,050,113)
Other Comprehensive income (loss)		
(Loss) Gain on foreign currency translation	**(113,127)**	17,902
Total Comprehensive Income (loss)	**$ (12,955,740)**	$ (8,032,211)
Total comprehensive loss attributable to:		
Equity holders of PowerBand Solutions Inc	**$ (10,039,693)**	$ (7,001,497)
Non-controlling interest	**$ (2,916,047)**	$ (1,030,714)

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

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

Years Ended December 31,	2020	2019
Cash flows provided by (used in) operating activities		
Net loss for the year	**$ (12,842,613)**	$ (8,050,113)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Accretion on lease liability (note 17)	**295,936**	169,891
Accretion on loan (note 18)	**112,209**	56,296
Amortization of intangible assets (note 13)	**675,138**	508,247
Amortization of tangible assets (note 12)	**130,339**	46,032
Amortization of right of use assets (note 14)	**705,824**	387,273
Deferred income tax recovery (note 27)	**(325,424)**	(291,415)
Provision for expected credit loss (note 8)	**376,985**	-
Foreign exchange loss (gain)	**(14,363)**	38,429
Interest on convertible note	**91,049**	25,291
(Gain) Loss on settlement of debt	**(179,504)**	264,950
Loss on joint venture (note 6)	**287,665**	757,273
Loss on share issuance	**-**	68,000
Share based compensation (note 20(f))	**1,956,767**	814,609
	(8,729,992)	(5,205,237)
(Increase) Decrease in:		
Accounts receivable	**(792,705)**	(291,337)
Inventory	**182,365**	(200,365)
Other current assets	**46,576**	-
Increase (Decrease) in:		
Accounts payable and accured liabilities	**1,398,868**	672,666
Deferred revenue	**(182,300)**	200,300
Net cash used in operating activities	**(8,077,188)**	(4,823,973)
Cash flows provided by (used in) investing activities		
Purchase of property and equipment (note 12)	**(260,556)**	-
Cash paid in acquisition; net of cash acquired	**(604,606)**	(123,116)
Purchase of intangible asset (note 13)	**(174,857)**	-
Disposal of intangible asset	**-**	266,380
Purchase of investment (note 11)	**(636,600)**	-
Net cash provided by (used in) investing activities	**(1,676,619)**	143,264
Cash flows provided by (used in) financing activities		
Private placements, net	**400,000**	125,000
Exercise of warrants and options	**63,750**	-
Funds from short term loan	**381,612**	100,000
Payment of short term loan (note 16)	**(450,000)**	-
Payment of lease liability, net of deposits received (note 17)	**(858,278)**	(292,048)
Convertible debenture financing (note 18)	**8,093,200**	1,500,000
Funds from related parties	**3,786,435**	3,165,207
Payments to related parties	**(1,090,974)**	-
Funds from CEBA loan	**40,000**	**-**
Funds from paycheck protection program loan	**615,448**	**-**
Net cash provided by financing activities	**10,981,193**	4,598,159
Net change in cash	**1,227,386**	(82,550)
Effect of exchange rate changes on cash held in foreign currencies	**(67,203)**	14,093
Cash, beginning of year	**243,030**	311,487
Cash, end of year	**$ 1,403,213**	$ 243,030

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

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

	Number of issued and outstanding shares #	Share Capital $	Obligation to issue shares $	Reserves $	Equity component of convertible debenture $	Other comprehensive income $	Non-controlling interest $	Deficit $	Total Shareholders equity $
Balance December 31, 2018	**54,745,342**	**11,780,221**	**1,091,360**	**1,353,751**	**-**	**-**	**-**	**(11,766,408)**	**2,458,924**
Private placements	12,505,261	1,264,680	(1,091,360)	-	-	-	-	-	173,320
Acquisition of MUSA Holdings LLC	2,500,000	237,500	124,184	-	-	-	502,185	-	863,869
Capital contributions made on behalf of non-controlling interest	-	-	-	-	-	-	783,134	(783,134)	-
Debt for share settlement	30,013,439	2,514,955	-	(303,286)	-	-	-	-	2,211,669
Share-based compensation	6,000,000	420,000	-	394,609	-	-	-	-	814,609
Convertible debt	-	-	-	-	101,062	-	-	-	101,062
Foreign currency translation	-	-	-	-	-	10,741	7,161	-	17,902
Loss for the year	-	-	-	-	-	-	(1,023,553)	(7,026,560)	(8,050,113)
Balance, December 31, 2019	105,764,042	16,217,356	124,184	1,445,074	101,062	10,741	268,927	(19,576,102)	(1,408,758)
Private placements	6,153,846	400,000	-	-	-	-	-	-	400,000
Exercise of warrants	275,000	41,250	-	-	-	-	-	-	41,250
Exercise of options	225,000	36,448	-	(13,948)	-	-	-	-	22,500
Shares issued related to 2019 Acquisition of MUSA Holding LLC	900,000	64,249	(64,249)	-	-	-	-	-	-
Restricted share units issued	950,000	223,250	-	-	-	-	-	-	223,250
Acquisition of IntellaCar Solutions LLC	2,000,000	450,000	-	-	-	-	1,337,058	-	1,787,058
Shares issued for convertible debentures	21,266,968	1,500,000	-	101,062	(101,062)	-	-	-	1,500,000
Warrants issued in connection with convertible debt	-	-	-	180,546	-	-	-	-	180,546
Warrants issued in connection with short term debt	-	-	-	31,612	-	-	-	-	31,612
Share based compensation	-	-	-	1,824,136	-	-	-	-	1,824,136
Disposition of equity interest in subsidiary (note 18)	-	-	-	-	-	-	-	9,233,949	9,233,949
Capital contributions made on behalf of non-controlling interest	-	-	-	-	-	-	2,884,908	(2,884,908)	-
Change in non-controlling interest due to conversion of debenture	-	-	-	-	-	-	60,989	(60,989)	-
Foreign currency translation	-	-	-	-	-	(12,089)	(101,038)	-	(113,127)
Loss for the year	-	-	-	-	-		(2,873,381)	(9,969,232)	(12,842,613)
Balance, December 31, 2020	137,534,856	18,932,553	59,935	3,568,482	-	(1,348)	1,577,463	(23,257,282)	879,803

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements ("financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of $12,842,613 (December 31, 2019 - $8,050,113), of which $2,872,864 (December 31, 2019 - $1,023,553) was attributed to the non-controlling interest during the year ended December 31, 2020, and as of that date, the Company had a deficit of $23,557,448 (December 31, 2019 - $19,576,102).

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

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

As described in Note 28, subsequent to the end of the period, the Company successfully raised $7,173,640 in additional capital through equity financing. The Company has a detailed business plan for 2020 and 2021 which provides different options on capital expenditures depending on the level of funding available. The Company is currently implementing various strategies.

These consolidated financial statements were approved by the Board of Directors for issuance on April 26, 2021.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements, including comparatives have been prepared in accordance with IFRS, as issued by the international Accounting Standards Board ("IASB"), incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the year ended December 31, 2020.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION - (continued)

b) Basis of consolidation

The consolidated financial statements of Powerband Solutions Inc. include the accounts of the Company and its subsidiaries:

Legal Entity	Location	Ownership Interest
Powerband Solutions Global Dealer Services Inc.	Canada	100%
Powerband Solutions Inc.	Canada	100%
1070879 BC Ltd.	Canada	100%
DRIVRZ Financial Inc.	Canada	73.62%
2744915 Ontario Inc.	Canada	51%
Powerband Solutions US Inc.	USA	91%
MUSA Holdings LLC	USA	54.60%
PBX Holdings LLC	USA	91%
DRIVRZ US LLC	USA	65.52%
IntellaCar Solutions LLC	USA	39.31%

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

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

c) Basis of measurement

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

COVID-19
The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in the World Health Organization declaring this virus a global pandemic in March 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize the financial markets. A critical estimate for the Company is to assess the impact of the pandemic on the recoverability of long-lived assets, accounts receivable, goodwill, intangible assets as well as the availability of future financing in assessing the going concern assumption. The Company has experienced work stoppages and delays due to the ongoing COVID-19 pandemic on some projects. The Company has taken advantage of government incentives as disclosed in Note 18.

2 BASIS OF PREPARATION - (continued)

d) Foreign currency

Transactions and balances

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

Functional and presentation currency

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

Legal Entity	Functional currency
Powerband Solutions Global Dealer Services Inc.	Canadian dollar
Powerband Solutions Inc.	Canadian dollar
1070879 BC Ltd.	Canadian dollar
DRIVRZ Financial Inc.	Canadian dollar
2744915 Ontario Inc.	Canadian dollar
Powerband Solutions US Inc.	US dollar
MUSA Holdings LLC	US dollar
PBX Holdings LLC	US dollar
DRIVRZ US LLC	US dollar
IntellaCar Solutions LLC	US dollar

Foreign operation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

The Company applies IFRS 15 to revenue streams. Revenue is recognized using the following 5 steps:

1. Identify a contract exists;
2. Identify performance obligations;
3. Determine price;
4. Allocate price to performance;
5. Recognize as performance is completed.

Specific revenue items are as follows:

(a) Vehicle, auction and subscription sales - The Company sells vehicles to a United States based related party and facilitates sales though digital auctions. The transaction price for a vehicle sale is determined with the customer at the time of sale. When a vehicle is sold, control is transferred at a point in time upon delivery of the vehicle to the customer, which is generally at time of sale. In some transactions, the Company receives a fee for facilitating the purchase of vehicles in Canada for export and resale in the United States. As an agent in these circumstances, revenue is recognized as the fee retained after facilitating export of the vehicle to the party that is acquiring it. The Company also generates sales from monthly subscriptions to it's software platform, the performance obligation is fulfilled monthly for the usage of the platform. Dealers use this access to facilitate the purchase of vehicles.

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

(c) Vehicle leasing revenue - The Company, through a subsidiary, leases vehicles to customers primarily through dealer relationships. The leases are sold to investors within three business days and the ownership is transferred to the investor. The Company is considered as an agent and the net revenue from lease origination fee income and gain on sale is recognized upon sale of the lease. The Company also executes a service relationship with the investor. The service fees from the service contracts are recorded as revenue as the performance of the service is complete. The performance obligation is the periodic use of the vehicle by the customer and payment of lease. The Company records these service payments on a monthly basis as the performance obligation is complete.

Deferred revenue

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

Cash

Cash includes only cash on deposit in Canadian and US chartered banks and are subject to negligible risk of changes in value. The Company maintains no cash equivalents which can readily be redeemed for cash or are issued for terms of ninety days or less from the date of acquisition.

Inventory

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

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

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

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

Financial liabilities
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, loan, lease obligation and due to related parties are classified as other financial liabilities and carried on the statements of financial position at amortized cost. As at December 31, 2020, the Company does not have any derivative financial liabilities.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

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

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

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

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

At each reporting date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. An impairment loss is recognized immediately in the consolidated statements of loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

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

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

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

Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognized within the statement of changes in shareholders equity.

Income taxes

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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

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

Research and development

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

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

Capitalized development expenditures will be amortized over the useful life, once the platform is available for use and are measured at cost less accumulated amortization and accumulated impairment losses.

Impairment of non-financial assets

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

Provisions

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

Interests in joint ventures

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint ventures (continued)

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

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

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

Investments

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

Business combinations and acquisition of non-controlling interests

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IAS 39 Financial Instruments: Recognition and measurement. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Earnings (loss) per common share

Basic earnings (loss) per common share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in accordance with the treasury stock method and based on the average number of common shares and dilutive common share equivalents.

Share capital

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

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

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

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

<u>Share-based payments</u>
The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period. Agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Party Transactions

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

Changes in Accounting policies

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

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

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

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

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

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:

<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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

Impairment of long-lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible or intangible asset, and the appropriate discount rate. During the years ended December 31, 2020 and December 31, 2019, the Company's intangible assets were determined to not be impaired.

Impairment of goodwill

The Company performs an assessment of its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the Company's operations and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the years ended December 31, 2020 and December 31, 2019, the Company's goodwill was determined to not be impaired.

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

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

The Company applies the simplified approach to determine ECLs on trade receivables 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 trade receivables, adjusted for forward looking estimates.

Interest in other entities
On December 31, 2020, the Company had 39.31% interest in IntellaCar Solutions LLC. Management assessed the involvement of the Company in accordance with IFRS 10, *Consolidated Financial Statements* and has concluded that control was acquired on the acquisition of IntellaCar Solutions LLC by a controlled entity of the Company. Subsequent disposition of interest in the controlled entity reduced the Company's interest to 39.31%. In making its judgments, that the Company controls IntellaCar Solutions LLC, management considered the following:

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

5. BUSINESS COMBINATION AND ACQUISITIONS

Acquisitions in 2019

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

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

(Expressed in Canadian dollars)

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

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

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

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

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

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

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

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

Inputs	July 17, 2020	July 17, 2021
Share price	0.095	0.095
Exercise price	0.095	0.095
Volatility	126.81%	126.81%
Risk free	1.11%	1.11%
Dividend yield	0%	0%

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

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

(Expressed in Canadian dollars)

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

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

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

Since the acquisition date to December 31, 2019, MUSA has contributed $29,414 in revenues and $2,558,883 of the Company's net loss.

Acquisitions in 2020

On October 28, 2020, the Company through its subsidiary DRIVRZ US LLC executed a Unit Purchase Agreement (the "Agreement") to acquire 60% of IntellaCar Solutions LLC ("INTELLACAR"). INTELLACAR has an online user-friendly platform that has an extensive video and brochure library of vehicles, enabling automotive dealers and consumers to review the model of the vehicle they are buying.

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

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

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

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

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

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

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

Since the acquisition date to December 31, 2020, INTELLACAR has contributed $115,100 in revenues and $155,700 of the Company's net loss.

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

6 INTEREST IN JOINT VENTURE

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

During the year ended December 31, 2020 D2DAA incurred losses of $1,704,809 (December 31, 2019 - $1,514,546). Powerband Solutions recognized losses to the amount of investment balance of $287,665 (2019 - 50% or $757,273) and had foreign exchange losses of $19,442 (December 31, 2019 - $45,029) resulting in an Interest in Joint Venture in Canadian dollar equivalent of $nil at December 31, 2020 (December 31, 2019 - $268,224). The Company owns 50% of the voting shares of D2DAA and 50% of the net assets of D2DAA. D2DAA accounted for 52% of the Company's revenue and 75% of the Company's account receivable.

During the year ended December 31, 2020 D2DAA incurred losses of $1,704,809 (December 31, 2019 - $1,514,546). The interest in Joint Venture of $268,223 at December 31, 2019 is less than the Company's share of losses for the year. Since the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture, the Company has discontinued recognizing its share of further losses.

7 CASH

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

	2020	2019
Cash at Canadian bank on hand	$ 99,300	$ 29,079
Cash at American bank on hand	1,303,913*	213,951
Total	$1,403,213	$ 243,030

*Includes restricted cash of $260,383 based on terms of the agreement with an investor.

8 ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
	$	$
Accounts receivable	1,674,410	994,813
Less: Expected credit loss	(376,985)	-
	1,297,425	994,813

9 INVENTORY

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

During the year, $242,864 (2019 - $53,142) of vehicles were included in Cost of Goods Sold.

10 DEPOSITS

On July 18, 2018 the Company signed a Letter of Intent with Zoom Blockchain Solutions Inc. to establish a disruptive automotive-related blockchain and application technologies solution. The joint venture will develop a blockchain powered mobile application to buy and sell cars. As part of the transaction a deposit of $200,000 United States dollars ($254,640 CAD) was made by the Company. In 2020, the Company is involved with ongoing discussions with Zoom Blockchain Solutions Inc. to formalize an agreement for the joint venture.

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

11. INVESTMENT

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

(Expressed in Canadian dollars)

12. PROPERTY AND EQUIPMENT

	Furniture fixtures and equipment	Computer equipment	Leasehold improvements	Software	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2018	-	-	-	-	-
Additions through business combination	339,064	7,147	8,509	-	354,720
Balance at December 31, 2019	339,064	7,147	8,509	-	354,720
Additions	-	6,218	-	254,338	260,556
Currency translation adjustment		(322)		(12,490)	(12,812)
Balance at December 31, 2020	339,064	13,043	8,509	241,848	602,464
Accumulated amortization					
Balance at December 31, 2018	-	-	-	-	-
Amortization	40,140	5,347	545	-	46,032
Balance at December 31, 2019	40,140	5,347	545	-	46,032
Amortization	84,086	2,724	1,136	42,393	130,339
Balance at December 31, 2020	124,226	8,071	1,681	42,393	176,371
Net book value					
Balance at December 31, 2019	298,924	1,800	7,964	-	308,688
Balance at December 31, 2020	214,838	4,971	6,828	199,456	426,093

13. INTANGIBLE ASSETS

During the year ended December 31, 2016, the Company acquired a web platform for cash of $1,391,532. During the year ended December 31, 2017, the Company capitalized an additional $2,000 of costs related to the asset. During the year ended December 31, 2018 an additional $854,585 of internal and external development costs related to the asset were capitalized. During the year ended December 31, 2020 an additional $174,857 of internal and external development costs related to the asset were capitalized. The web platform is used by the Company to develop its future software applications and to sell various services. Under the current amortization policy, the web platform and associated development additions are amortized on a straight-line basis over five years.

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

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

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

(Expressed in Canadian dollars)

13. INTANGIBLE ASSETS (continued)

The following table summarizes the movements in Intangible Assets for years ended December 31, 2020 and 2019:

	Web platform	Customer base	Intellectual property	Trademarks	Other	IP Technology under development	Total
	$	$	$	$	$	$	$
Cost							
Balance at December 31, 2018	2,248,117	60,000	-	-	-	-	2,308,117
Additions	-	-	984,429	-	-	-	984,429
Disposals	(266,380)	-	-	-	-	-	(266,380)
Currency translation adjustment	-	-	1,713	-	-	-	1,713
Balance at December 31, 2019	1,981,737	60,000	986,142	-	-	-	3,027,879
Additions	174,857	-	-	-	-	254,640	429,497
Additions from business acquistion (note 5)		25,274	361,814	850,397	297,832		1,535,317
Disposals	-	-	-			-	-
Currency translation adjustment	-	-	(36,620)	(36,440)	(12,763)	-	(85,823)
Balance at December 31, 2020	2,156,594	85,274	1,311,336	813,957	285,069	254,640	4,906,870
Accumulated amortization							
Balance at December 31, 2018	883,285	4,000	-	-	-	-	887,285
Disposals	(13,383)	-	-	-	-	-	(13,383)
Amortization	411,187	12,000	98,443	-	-	-	521,630
Balance at December 31, 2019	1,281,089	16,000	98,443	-	-	-	1,395,532
Amortization	407,948	12,806	217,750	27,132	9,502	-	675,138
Currency translation adjustment	-	-	(16,581)			-	(16,581)
Balance at December 31, 2020	1,689,037	28,806	299,612	27,132	9,502	-	2,054,089
Net book value							
Balance at December 31, 2019	700,648	44,000	887,699	-	-	-	1,632,347
Balance at December 31, 2020	467,557	56,468	1,011,724	786,825	275,567	254,640	2,852,781

<u>Goodwill</u>

Goodwill of $172,593 (US$133,183) arose in 2019, when the Company acquired MUSA and $2,490,980 (US$1,956,472) in 2020 from acquisition of IntellaCar Solutions. (see note 5) For impairment testing purposes, the goodwill is allocated to the respective cash-generating unit ("CGU"). The Company assessed goodwill for impairment based on its value in use. To determine value in use, the Company used the 2021 budget and 2022 to 2025 forecasts for the CGU's, an estimated long-term revenue and variable cost growth and taking into account the working capital and capital investments to maintain the condition of the assets. The resulting forecasted cash flows were discounted using pretax rates of 9% to 16% which reflects the time value of money and risk associated with the business. Based on this assessment, the goodwill attributed to each CGU was not impaired at December 31, 2020.

	$
Balance at December 31, 2019	172,593
Goodwill on acquisition of INTELLACAR	2,490,980
Currency translation adjustment	(3,024)
Balance at December 31, 2020	2,660,549

(Expressed in Canadian dollars)

14. RIGHT OF USE ASSETS

	Canada	USA	Total
Cost	$	$	$
Balance as at December 31, 2018	-	-	-
Adoption of IFRS 16	355,380	4,696,890	5,052,270
Currency translation adjustment	-	(18,568)	(18,568)
Balance as at December 31, 2019	355,380	4,678,322	5,033,702
Currency translation adjustment	-	(96,940)	(96,940)
Balance as at December 31, 2020	355,380	4,581,382	4,936,762
Accumulated amortization			
Balance as at December 31, 2018	-	-	-
Amortization	(78,974)	(282,051)	(361,025)
Currency translation adjustment	-	-	-
Balance as at December 31, 2019	(78,974)	(282,051)	(361,025)
Amortization	(78,974)	(626,850)	(705,824)
Currency translation adjustment	-	42,709	42,709
Balance as at December 31, 2020	(157,948)	(866,192)	(1,024,140)
Net carrying amount			
At December 31, 2019	276,406	4,396,271	4,672,677
At December 31, 2020	197,432	3,715,190	3,912,622

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

15. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	$	$
Trade payables	1,531,289	1,481,830
Accrued liabilities	1,640,439	567,770
	3,171,728	2,049,600

16. SHORT TERM LOAN

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

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

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

17. LEASES

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

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

Leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statements of loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized 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:

(Expressed in Canadian dollars)

17. LEASES (continued)

	Canada	USA	Total
	$	$	$
Balance as at December 31, 2018	-	-	-
Adoption of IFRS 16	355,380	4,696,890	5,052,270
Repayment of lease liability	(106,969)	(185,079)	(292,048)
Accretion expense	45,947	123,943	169,890
Currency translation adjustment	-	(22,345)	(22,345)
Balance as at December 31, 2019	294,358	4,613,409	4,907,767
Repayment of lease liability	(106,969)	(751,309)	(858,278)
Accretion expense	37,072	258,864	295,936
Currency translation adjustment	-	(65,484)	(65,484)
Balance as at December 31, 2020	224,461	4,055,480	4,279,941
Current portion			
Balance as at December 31, 2019	69,897	481,379	551,276
Balance as at December 31, 2020	80,503	516,314	596,817
Long-term portion			
Balance as at December 31, 2019	224,461	4,132,030	4,356,491
Balance as at December 31, 2020	143,958	3,539,166	3,683,124

18. CONVERTIBLE DEBENTURE

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

Undiscounted balance as at October 22,2019	$1,500,000
Less: effect of discounting using the incremental borrowing rate as at the date of initial application at 20%.	(137,500)
Discounted balance as at October 22, 2019	1,362,500
Accretion expense	25,291
Balance as at December 31, 2019	$1,387,791
Accretion expense	112,209
Balance converted to equity in 2020	$1,500,000

(Expressed in Canadian dollars)

18 CONVERTIBLE DEBENTURE (continued)

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

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

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

Share price at grant date: $0.15

Risk free interest rate: 0.72%

Expected life of warrants: 2 years

Expected annualized volatility: 123%

Expected dividend yield: - Black-Scholes value of each warrant: $0.07

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

	December 31, 2020	December 31, 2019
	$	$
Balance at beginning of the year	-	-
Issued during the year	8,093,200	-
Financing costs	(180,546)	-
Foreign exchange movement	44,400	-
Conversion of Debentures	(7,957,054)	-
Balance at end of the year	-	-

On December 14, 2020, the Company received $1,276,895 (US$1 million) as consideration for disposition of interest in the Companies subsidiaries DRIVRZ US LLC and DRIVRZ Financial Inc. The fair value of the consideration received net of the cost that is directly attributed to it is recognized in the Statement of shareholders equity as disposition of equity interest in subsidiary.

19. GOVERNMENT STIMULUS SUBSIDIES

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

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

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

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. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of $10,000.

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

20. SHARE CAPITAL AND RESERVES

(a) Authorized:

The Company is authorized to issue:

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

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

(b) Shares issued on Private Placements:

On April 25, 2019, the Company closed a non-brokered private placement by issuing 12,505,261 common shares for gross proceeds of $1,264,680. There were no warrants issued with the private placement and no finders’ fees were incurred.

20. SHARE CAPITAL AND RESERVES (continued)

On December 20, 2019, the Company closed the first tranche of a $500,000 Private Placement. A total of 1,538,461 Units, at a price of $0.065 per Unit, have been issued for total gross proceeds to the Company of $100,000. Each Unit is comprised one (1) common share of the Company ("Common Share") and one half of one (1/2) common share purchase warrant (each whole share purchase warrant, a "Warrant") of the Company. Each Warrant shall entitle the holder to receive, for no additional consideration, one (1) Common Share, subject to adjustments, at an exercise price of $0.15 for a period of 24 months from the date of issuance.

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

On January 21, 2020, the Company closed on $400,000 of a Private Placement financing, representing the second tranche of a $500,000 Private Placement financing, the first tranche of $100,000 closed on December 20, 2019. In total 7,692,307 units were issued at a price of $0.065 per unit for total proceeds of $500,000.

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

(c) Shares for Debt and services:

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

On October 28, 2019, the Company settled an outstanding debt of $712,970 owed to the CEO of the Company and a significant shareholder of the Company through the issuance of 12,963,089 common shares of the Company, at a deemed price of $0.055 per Common Share.

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

A total loss on debt settlement of $264,950 was recorded in the Statement of loss for the year ended December 31, 2019.

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

(d) Shares issued for acquisitions

On July 17, 2019, the Company acquired 60% of the Units of MUSA Holdings, LLC. As part of the purchase price the Company issued 2,500,000 common shares to MUSA Holdings, LLC on July 17, 2019. See Note 5.

On July 20, 2020, the Company issued 900,000 common shares to MUSA Holdings, LLC as part of the purchase price from the July 17, 2019 acquisition.

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

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(e) Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	2020		**2019**	
	Number of share purchase warrants	Weighted average exercise price ($)	Number of share purchase warrants	Weighted average exercise price ($)
Balance, beginning of year	17,452,322	0.58	16,683,093	0.60
Warrants granted	6,001,924	0.22	769,230	0.15
Warrants exercised	(275,000)	(1.05)	-	-
Balance, end of year	**23,179,246**	**0.49**	**17,452,322**	**0.58**

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

Number of share purchase warrants (#)	**Exercise Price ($)**	**Expiry Date**
16,683,093**	0.60	February 8, 2021
769,280	0.15	December 20, 2021
350,000	0.165	January 15, 2021
2,801,924	0.15	January 20, 2022
2,500,000	0.30	March 6, 2022
75,000	0.30	November 27, 2023

**The Company's share purchase warrants outstanding represent an aggregate total of 66,732,372 warrants outstanding with an exercise price of $0.15, issued prior to the Company's April 20, 2018 4:1 share consolidation. Pursuant to a rate adjustment applied to the warrants to reflect the consolidation, the 66,732,372 warrants are exercisable to acquire 16,683,093 common shares of the Company at an adjusted price of $0.60 per common share. Subsequent to year end December 31, 2020, 1,457,291 warrants were exercised, and the remaining 15,225,802 warrants expired unexercised.

The weighted average remaining contractual life of the share purchase warrants is 0.37 years.

(f) Share-based compensation

(i) Stock option plan

The Company has adopted a stock option plan (the "Option Plan") for directors, officers, employees, and consultants of the Company. At the Company's Annual General Meeting held on July 29, 2020 the shareholders approved the 2020 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 22,435,693 common shares of the Company.

In July 2019, the Company granted 6,800,000 stock options to consultants, directors, officers, and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of $0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 488,737, to be recognized over the three-year vesting period, with $149,472 (2019 - $315,626) recognized in 2020.

20. SHARE CAPITAL AND RESERVES (continued)

In October 2019, the Company granted 500,000 stock options to consultants, directors, officers, and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of $0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 27,046 to be recognized over the three-year vesting period, with $17,133 (2019 - $5,936) recognized in 2020.

In October 2019, the Company granted 1,200,000 stock options to consultants, directors, officers, and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of $0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 64,907 to be recognized monthly over the one vesting period, with $32,744 (2019 - $32,163) recognized in 2020.

In December 2019, the Company granted 700,000 stock options to consultants which vest monthly over a one-year period. The stock options were issued with an exercise price of $0.15 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $ 32,640 to be recognized over the over-year vesting period, with $15,741 (2019 - $16,899) recognized in 2020.

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

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

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

In July 2020, the Company granted 1,800,000 stock options to consultants, which vested immediately. The stock options were issued with an exercise price of $0.225 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $341,474 to be recognized immediately, with $341,474 recognized in 2020.

In August 2020, the Company granted 1,500,000 stock options to employees, which vested immediately. The stock options were issued with an exercise price of $0.225 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $271,046 to be recognized immediately, with $271,046 recognized in 2020.

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

In November 2020, the Company granted 50,000 stock options to consultants, officers, and employees, which vested immediately and 250,000 which vest over a period one year. The stock options were issued with an exercise price of $0.21 and $0.26 respectively and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $62,239, with $40,146 recognized in 2020.

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(i) Stock option plan (continued)

In December 2020, the Company granted 475,000 stock options to employees, 350,000 vest immediately and 125,000 vest over a period of one year. The stock options were issued with an exercise price of $0.205 and $0.25, respectively and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was $85,937, with $61,332 recognized in 2020.

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

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

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

	2020		2019	
	Number of stock options	Weighted average exercise price ($)	Number of stock options	Weighted average exercise price ($)
Balance, beginning of year	11,278,500	0.1040	5,693,500	0.2372
Options issued	9,275,000	0.2200	9,200,000	0.1040
Options exercised	(225,000)	0.1000	-	-
Options cancelled	(400,000)	0.2250	(3,615,000)	0.2150
Balance, end of year	19,928,500	0.1740	11,278,500	0.1040

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(i) Stock option plan (continued)

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

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

(ii) Restricted share unit plan

At the Company's Annual General Meeting held on July 29, 2020, the shareholder approved the 2020 Restricted Share Unit Plan, reserving for issuance a maximum of 2,000,000 common shares of the Company. The 2,000,000 Restricted Share Unit are included in the 22,435,693 common shares of the Incentive Stock Option Plan (20% Fixed Plan). As at December 31, 2020, no RSUs remain available to be granted.

(Expressed in Canadian dollars)

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(ii) Restricted share unit plan (continued)

RSUs outstanding as at December 31, 2020:

	Number of RSUs
Balance as at December 31, 2018	-
Granted	3,000,000
Vested	(3,000,000)
Balance as at December 31, 2019	-
Granted	2,000,000
Vested	(950,000)
Balance as at December 31, 2020	**1,050,000**

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

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

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

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

(g) Escrow shares

In fiscal year ended December 31, 2018, upon the completion of the Reverse Takeover transaction on February 8, 2018, a number of shares of insiders of Marquis Ventures Inc. and Powerband Solutions Inc. were subject to an escrow agreement. 10% of the shares became free-trading on February 8, 2018 with 15% released every six months following. As at December 31, 2020, 2,834,869 (2019 – 8,825,984) issued shares were being held in escrow. Subsequent to year end December 31, 2020, all these shares were released.

(Expressed in Canadian dollars)

21 NON-CONTROLLING INTERESTS

	Musa Holdings LLC	IntellaCar Solutions LLC	Total
NCI in subsidiary at December 31, 2020	45.40%	60.69%	
	$	$	$
At December 31, 2018	-	-	-
Acquisition	502,185	-	502,185
Capital contribution	783,134	-	783,134
Foreign currency translation	7,161	-	7,161
Share of loss	(1,023,553)	-	(1,023,553)
At December 31, 2019	268,927	-	268,927
Acquisition	-	1,337,058	1,337,058
Capital contribution	2,827,083	57,825	2,884,908
Change in NCI	60,989	-	60,989
Foreign currency translation	(4,737)	(96,301)	(101,038)
Share of loss	(2,789,415)	(83,966)	(2,873,381)
At December 31, 2020	362,847	1,214,616	1,577,463

22. RELATED PARTY TRANSACTIONS

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

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

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

As at December 31, 2020, the following are due/to from D2DAA accounts receivable (note 20) is $968,801 (2019 - $708,583) and $18,000 (2019 - $200,300) is included in deferred revenue for deposit on vehicles by D2DAA. The

Company owes D2DAA $604,770 (2019 - $195,795) as at December 31, 2020. The balance is due on demand and non-interest bearing.

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

22. RELATED PARTY TRANSACTIONS (continued)

Shareholder loans and transactions

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

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

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

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

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

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

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

Compensation of key management personnel of the Company

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

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

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

ii. President $241,668 (2019- $ 99,105 and received 3,000,000 common shares that had a deemed price of $0.07 per share (note 20)).

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

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

v. Directors $243,808 (2019 - $141,000 and received 3,000,000 restricted share units at a deemed price of $0.07 per common share (note 20)).

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

(Expressed in Canadian dollars)

23. FINANCIAL INSTRUMENTS

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

Credit risk

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

	2020	2019
Current to 30 days past due	$431,799	$607,400
Past due (31-60 days)	43,480	178,750
Past due (> 61 days)	822,146	208,663
	$1,297,425	$994,813

Based on amounts which are past due, historical trends, and available information, a provision for expected credit loss of $376,985 was calculated by using a provision matrix. There is no indication that a customer could be experiencing liquidity or going concern problems.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.
The Company's approach to managing liquidity risk to is ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. This is provided through cash injections by the shareholder when needed. The Company also manages liquidity risk by continuously monitoring actual and budgeted expenses.

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

	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	3,171,728	3,171,728	-		
Short term loan	254,640	254,640	-		
Due to related parties	4,611,421	4,611,421	-		
Lease payments	5,118,759	840,545	2,458,454	1,613,062	206,698
Government assistance	623,635	623,635	-		
	13,780,183	9,501,969	2,458,454	1,613,062	206,698

23. FINANCIAL INSTRUMENTS (continued)

Market risk

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

Interest rate risk

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

Currency risk

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

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

Fair value

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

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

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

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

The fair value of cash, trade receivables, trade 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, due to related parties and convertible debt balances are measured at amortized cost and classified as Level 2.

24. CAPITAL MANAGEMENT

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

25. LEGAL CLAIMS

In August 2018, the Company was served a Notice of Civil Claim in the Superior Court of British Columbia by Advanced Media Solutions Limited ("AMSL"), a Company incorporated pursuant to the laws of the British Virgin Islands. AMSL is seeking payment of USD$450,000. The Company disputes the facts set out in the Civil Claim and has filed a Response to Civil Claim, as well as a Counterclaim to the Plaintiff and other individuals and entities involved for damages. A further claim was then filed against the Company for a further $455,000. The Company believes the claim is without merit. The Company has assessed the claims totaling $905,000 as highly unlikely to be successful.

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

Frunzi v. MUSA Auto Holdings, LLC, Texas District Court, Dallas County, Case # DC-18-14445:
Mr. Frunzi's employment was terminated for cause on September 5, 2018. Mr. Frunzi subsequently asserted a claim for breach of his employment agreement. He seeks money damages in the amount of the severance payment specified in his employment agreement, which is an amount comprised of 18 months' base salary, his prior year's bonus, and health insurance premiums for 18 months. He also seeks the value of the profit interest units that vested under his grant agreement before his employment was terminated. In addition to money damages, Mr. Frunzi seeks a declaratory judgment that MUSA breached his employment agreement and an accounting that can be used to determine the value of the profit interest units that vested before the termination. The amount in controversy is about $427,500, not including the value of any profit interest units claimed by Frunzi. The case is expected to proceed to trial in Dallas County on March 30, 2021. Musa Auto Holdings, LLC brought a counterclaim against Frunzi for breaching his employment agreement because it required that he surrender to us all the company material when he was terminated. He conceded in his deposition that he retained sensitive information. We cannot prove damages to any degree of certainty but have pled for injunctive relief to seek our outside counsel fees.

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

26. SEGMENTED REPORTING

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

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

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

(Expressed in Canadian dollars)

26. SEGMENTED REPORTING (continued)

	Year ended December 31, 2020			Year ended December 31, 2019		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Revenue						
Vehicle and auction sales	284,650	-	284,650	79,066	-	79,066
Software development sales	1,304,813	-	1,304,813	1,890,277	-	1,890,277
Lease origination revenue	-	1,309,195	1,309,195	-	29,414	29,414
Subscription revenue	-	129,464	129,464	-	-	-
	1,589,463	1,438,659	3,028,122	1,969,343	29,414	1,998,757

	Year ended December 31, 2020			Year ended December 31, 2019		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Operating loss before other income	6,358,178	6,701,698	13,059,876	4,437,445	2,813,860	7,251,305
(Gain) Loss on settlement of debt	(179,504)	-	(179,504)	264,950	-	264,950
Loss on shares issued	-	-	-	68,000	-	68,000
Interest in joint venture	287,665	-	287,665	757,273	-	757,273
	6,466,339	6,701,698	13,168,037	5,527,668	2,813,860	8,341,528

	Year ended December 31, 2020			Year ended December 31, 2019		
	Canada	**USA**	**Total**	**Canada**	**USA**	**Total**
	$	$	$	$	$	$
Segment assets	2,888,371	10,950,797	13,839,168	2,670,723	6,391,870	9,062,593
Segment liabilities	6,730,899	6,228,466	12,959,365	4,751,793	5,719,558	10,471,351

27. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020 ($)	Year ended December 31, 2019 ($)
Loss before income taxes	(13,168,036)	(8,341,528)
Canadian statutory income tax rates	26.5%	26.5%
Expected income tax recovery	(3,489,530)	(2,210,505)
Non-deductible items	654,939	115,705
Change in estimate	(1,139,618)	-
Foreign tax rate difference	28,980	36
Debt forgiveness	2,499,346	-
Change in deferred tax asset not recognized	1,120,459	1,803,349
Income tax expense (recovery)	(325,424)	(291,415)

(Expressed in Canadian dollars)

27. INCOME TAXES (continued)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) as at December 31, 2020 and 2019 are as follows:

	December 31, 2020 ($)	December 31, 2019 ($)
Non-capital loss carryforwards	1,457,934	302,108
Lease liability	-	1,119,203
Intangible and fixed assts	(459,802)	(199,126)
Right of use assets and leases	(998,132)	(1,192,450)
Convertible loan	-	(29,735)
	-	-

The unrecognized deductible temporary differences as at December 31, 2020 and 2019 are comprised of the following:

	December 31, 2020	**December 31, 2019**
	$	$
Non-capital losses	10,616,360	13,663,038
Net operating losses	1,738,882	1,564,044
Intangible and fixed assets	-	98,873
Lease liability	4,279,940	511,478
Interest in Joint Venture	-	803,111
Financing costs	592,014	667,868
Accounts receivable	376,985	
CEBA loan	10,000	
Investment tax credits	34,194	
	17,648,375	17,308,412

The Company has non-capital loss carryforwards of approximately $12,355,242 (2019 $16,233,538) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Canadian and United States			
Expiry	Canadian	United States	Total
	$	$	$
2038	1,686,895	-	1,686,895
2039	5,027,186	-	5,027,186
2040	3,902,279	-	3,902,279
No expiry	-	1,738,882	1,738,882
Total	10,616,360	1,738,882	12,355,242

28. SUBSEQUENT EVENTS

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

1. On February 10, 2021, the Company closed on $5,300,000 of a Private Placement financing, representing 18,275,862 units at a price of $0.29 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, and each warrant shall entitle the holder thereof to acquire one common share at an exercise of $0.49 per warrant share for a period of two years following the date of issuance.

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

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

4. In January and February 2021, the Company repaid loans to shareholders for total amount of $763,922 (US$600,000). This is reported at December 31, 2020 as interest free short-term shareholder loan in due to related parties.

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

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

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