SOLUTION FINANCIAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2023 AND 2022

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") of Solution Financial Inc. (the "**Company**" or "**Solution**" or "**we**" or "**our**") (formerly known as Shelby Ventures Inc.("**Shelby**")), should be read in conjunction with the Company's interim financial statements for the three and six months ended April 30, 2023 and 2022 ("reporting period") and the accompanying notes to those financial statements.

The Company's consolidated year end financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are presented in accordance with the International Accounting Standards ("**IAS**"), as issued by the International Accounting Standards Board ("**IASB**") and are reported in Canadian dollars.

CAUTIONARY STATEMENT

This analysis has been prepared taking into consideration the information available up to June 13, 2023. Certain statements contained in this report constitute "forward-looking statements. " When used in this report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic conditions, reliance on debt financing, dependence on non-prime borrowers, inability to sustain receivables, competition, interest rates, regulation, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of Solution that are filed with securities regulatory authorities. By their nature, forward-looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific, which contribute to the possibility that predictions, forecasts, projections and other forms of forward-looking information may not be achieved. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and readers are cautioned that the list of factors in the foregoing paragraph is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers are cautioned not to place undue reliance on forward- looking statements or interpret or regard forward-looking statements as guarantees of future outcomes.

OVERVIEW

Solution Financial Inc. (formerly known as Shelby Ventures Inc.) was incorporated on February 27, 2007 under the Company Act of British Columbia and commenced trading on the TSX Venture Exchange ("TSX-V") on December 6, 2007. On September 8, 2021, the Company uplisted to the Toronto Stock Exchange (the "TSX") and commenced trading under the symbol "SFI".

The Company's registered and records office is Unit 137, 8680 Cambie Road, Richmond, British Columbia, Canada, V6X 4K1.

The Company's wholly-owned operating subsidiary, Solution Financial (Canada) Inc. ("Solution Canada") (formerly Solution Auto Lease and Sales Ltd.) was incorporated under the Company Act of British Columbia on August 8, 2003. Solution Canada specializes in sourcing and leasing luxury and exotic vehicles, yachts and other high value assets in Canada.

OVERVIEW (CONTINUED)

Solution works with a select group of automotive and marine dealerships providing lending solutions to clients who cannot obtain leasing terms with traditional Canadian financial institutions. Typical customers include new immigrants, business owners and international students.

Solution provides a unique leasing experience whereby it partners with its clients to help them navigate the challenges of acquiring, insuring, maintaining, and upgrading vehicles and luxury assets in Canada.

Solution derives its revenue from three inter-related business streams: in house leasing including financial leases and operating leases; brokerage leasing; and end-of lease auto sales.

SIGNIFICANT EVENTS AND RECENT DEVELOPMENTS

- On November 15, 2022, the Company amended the shareholder loan agreement with the Company's CEO for $600,000 with a new maturity date of April 30, 2023 and an interest rate effective October 15, 2022 of 6.95%.

- On December 22, 2022, the Company entered into a $35 million Master Purchase and Service Agreement or "Securitization Facility" with Sun Life Assurance Company of Canada. The terms of the agreement allow for up to $35 million of automotive lease contract financing to support future growth initiatives of the Company.

- On January 20, 2023, the Company established a securitization facility for up to $35 million with Sun Life Assurance Company of Canada.

- Toronto Stock Exchange approved the renewal of the Company's Normal Course Issuer Bid program effective February 27, 2023.

QUARTERLY RESULT HIGHLIGHTS (in $ except ratios)

Quarter ended	Apr 30, 2023	Jan 31, 2023	Oct 31, 2022	Jul 31, 2022	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021
Total revenue	3,460,955	5,105,308	6,118,610	3,383,201	5,610,046	5,236,059	4,759,115	6,228,929
Net Income (Loss) for the period before Income Taxes	51,826	(486,781)	131,446	456,928	248,054	269,116	206,883	492,455
Net Income (Loss) and comprehensive income for the period	37,826	(356,781)	33,446	376,928	203,054	224,116	206,833	406,455
Net Income (Loss) and comprehensive income per share	0.000	(0.004)	0.000	0.004	0.003	0.002	0.002	0.005
Carrying value of lease portfolio	7,975,808	9,713,931	12,028,119	15,635,640	26,025,284	27,254,008	27,600,643	27,114,755
Lease receivables balance	16,700,278	15,108,638	14,184,435	11,681,437	8,340,736	1,367,491	1,305,126	819,238

SELECTED FINANCIAL INFORMATION

The following table summarizes key financial data to be read in conjunction with the Company's interim financial statements for the three and six months ended April 30, 2023 and 2022.

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Vehicle sales	**$ 2,192,167**	$ 3,711,983	**$ 5,827,979**	$ 6,736,886
Leasing income	**1,230,116**	1,874,466	**2,601,572**	3,908,451
Brokerage commissions	**38,672**	23,597	**136,712**	200,768
Total Revenue	**3,460,955**	5,610,046	**8,566,263**	10,846,105
Income before income taxes	**51,826**	248,054	**(434,955)**	517,170
Net income and comprehensive income	**37,826**	248,054	**(318,955)**	472,170
Net income and comprehensive income per share				
Basic and diluted earnings per common share	**$ 0.000**	$ 0.002	**$ (0.004)**	$ 0.005
Weighted average number of common shares outstanding	**87,290,273**	88,796,706	**87,460,451**	89,125,856

Financial Highlights

Total revenues were $3,460,955 for the three months ended April 30, 2023 compared to $5,610,046 for the three months ended April 30, 2022, a decrease of $2,149,091 (or 38%). The decrease in revenues was primarily a result of decreased vehicle sales of $1,519,816 (41%) resulting from fewer vehicles being available for sale. In 2022, the demand for second hand vehicles was extremely high, and the Company took profits from selling more end of lease vehicles; however, the market prices in 2023 are less inflated and therefor more suitable for ongoing lease operations. Decreased leasing income of $644,350 (34%) resulting from the shift to finance type leasing for all new leases commencing in 2022. These decreases were partially offset by increased brokerage commissions of $15,075 (64%).

For the three months ended April 30, 2023, the Company reported net income of $37,826 compared to net income of $248,054 for the comparative three months period ending April 30, 2022. The decrease was primarily a result of the reduced vehicle sales activities in 2023 compared to 2022 which was reflected in the net gross profits. Gross profit for the quarter was lower for the three months ended April 30, 2023 to $888,678 compared to $1,457,186 for the three months ended April 30, 2022, amounting to a $568,508 or 39% decrease. Total expenses decreased to $888,130 for the three months ended April 30, 2023 compared to $1,004,491 for the three months ended April 30, 2022, a decrease of $171,361 or 17% resulting primarily from lower sales and marketing costs associated with sales personnel commissions. In addition, general and administrative expenses were lower primarily a result of the timing of professional services fees incurred in the quarter.

During the quarter ended April 30, 2023, the Company's net operating lease portfolio decreased by $1,738,123 or 18% while the Company's receivables under finance leases increased by $1,591,640 to $16,700,278 or 11%. Commencing in fiscal 2022, the Company focused almost entirely on finance type leases which typically include a guaranteed residual by the lessee. As noted above, the Company has been proactively selling vehicles under operating lease at a premium to capture the market opportunity presented however these vehicle sales activities slowed down during the most recent quarter.

DESCRIPTION OF NON-IFRS FINANCIAL METRICS **(in $ except ratios)**

Throughout this MD&A, management uses the following terms and ratios not found in IFRS and which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers, and therefore require definition. These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Management reviews non-IFRS measures on an ongoing basis and expects to introduce additional non-IFRS measures in the near future.

RESULTS OF OPERATIONS

The following table summarizes financial results for each of the reported periods:

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Revenue	$ 3,460,955	$ 5,610,046	$ 8,566,263	$ 10,846,105
Cost of sales	2,572,277	4,366,346	6,639,574	8,392,423
Gross profit	888,678	1,243,700	1,926,689	2,453,682
Interest expenses	239,122	114,602	452,595	224,949
Operating expenses	594,008	889,889	1,475,305	1,721,498
Other income	(3,722)	8,845	(433,744)	9,935
Income before income taxes	51,826	248,054	(434,955)	517,170

Revenue

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Vehicle Sales	$ 2,082,866	$ 3,542,164	$ 4,909,787	$ 6,229,894
Finance lease vehicle sales	109,301	169,819	918,192	506,992
Total vehicle revenues	2,192,167	3,711,983	5,827,979	6,736,886
Interest and administrative income	656,446	828,129	1,342,065	1,535,332
Rental revenue	527,490	978,107	1,168,012	2,240,014
Registration fees	46,180	68,230	91,495	133,105
Total lease revenues	1,230,116	1,874,466	2,601,572	3,908,451
Brokerage commissions	38,672	23,597	136,712	200,768
Total	3,460,955	5,610,046	8,566,263	10,846,105

Vehicle sales

For the three months ended April 30, 2023, the revenues from vehicle sales decreased to $2,082,866 compared to $3,542,164 for the three months ended April 30, 2022, a decrease of $1,459,298 (or 41%). These decreased vehicle sales are a result of fewer vehicles being available for resale in the market as well as the Company looking to maximize lease renewals and roll overs unless the vehicles can be sold for a significant premium. The Company anticipates that the resale market will remain steady, but at levels lower than those experienced in 2022.

Revenue from leases and loans

The Company provides direct operating leases (rental) and finance leases (loans) collectively referred to as (“in-house leasing”) to consumers that are typically unable to obtain financing from traditional sources. The Company generates rental, interest charges and fee income from these leases. For the three months ended April 30, 2023, the revenues derived from in-house leases decreased to $1,230,116 compared to

$1,874,466 for the three months ended April 30, 2022, a decrease of $644,350 (or 34%). The decrease was a result of switching to finance type leases in 2022 which results in lower overall revenue, whereas operating leases reflect revenue at the gross rental amount offset by a cost of sale associated with the amortization of the applicable rental vehicle. Although the Company expects this change will reduce the overall total revenue on each lease, the Company's goal is to grow its overall finance lease portfolio more quickly as these types of leases are favourable for bank financing opportunities. The Company also increased its quoted lease interest rates during the year and anticipates these rates continuing to parallel the prime lending rates in Canada. The lower revenue in the first quarter of 2023 was primarily a result of moving from operating leases to finance type leases.

Brokerage commissions

In addition to providing direct leases and loans, the Company facilitates lease brokering and end of lease sales through third-party dealerships. The Company bears limited inventory risks in these transactions and does not have latitude in setting vehicle prices and therefore, the Company only recognizes the net fees or brokerage commissions.

The following table summarizes the brokerage leases and sales for each of the reported periods:

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Brokerage sale	**410,086**	820,707	**1,079,815**	2,536,645
Cost of brokerage sale	**(371,413)**	(797,110)	**(943,102)**	(2,335,877)
	38,672	23,597	**136,712**	200,768
Total brokerage commissions	**38,672**	23,597	**136,712**	200,768

For the three months ended April 30, 2023, the Company brokered $410,086 of sales transactions compared to $820,707 during the three months ended April 30, 2022, a decrease of $410,621 or 50%. For the three months ended April 30, 2023, the Company net brokerage sales revenue was $38,672 compared to $23,597 for the three months ended April 30, 2022, an increase of $15,075 or 64%. Brokerage sales transactions can vary depending on market conditions but were generally lower due to limited supply of vehicles in the resale market due to Covid 19.

Operating and other expenses

The following table summarizes the operating and other expenses:

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Sales and marketing	**219,211**	445,686	**502,350**	915,590
General and administration	**355,475**	432,066	**936,457**	782,555
Provision for credit losses	**3,663**	-	**7,955**	-
Interest expenses	**239,122**	114,602	**452,595**	224,949
Amortization	**15,659**	12,137	**28,543**	23,353
Total	**833,130**	1,004,491	**1,927,900**	1,946,447

Interest on loans

Interest expense for the three months ended April 30, 2023 increased to $239,122 compared to $114,602 (or 109%) for the three months ended April 30, 2022, as a result of increases in the variable rate interest rates on the Company's credit loan facility resulting from increasing prime lending rates in Canada in 2023.

Provision for credit losses

The company recognized a provision for credit losses of $3,663 during the three months ended April 30, 2023 compared to $nil in the prior comparative quarter. The provision for credit losses recognizes the growing utilization of finance type leases by the Company. This provision was determined by looking at several market and economic conditions. As a result of indicators of a potential economic recession, uncertainties inherent in the COVID-19 pandemic, rising interest rates, offset by the elevated used vehicle market the Company recognized a provision based on its 10-year historical loss ratios on all lease types as well as the allowance levels of Canadian National banks personal retail lending levels which represents a 0.50% allowance.

General and administrative

General and administrative expenses include the following major expenses by nature:

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Accounting and legal	$ 38,259	$ 156,210	$ 305,999	$ 212,988
Consulting fees	20,775	26,765	55,245	59,699
Regulatory and transfer agent	42,464	40,479	101,679	129,866
Insurance, license and permit	12,476	14,698	25,335	27,693
Office and miscellaneous	41,876	37,447	87,961	89,425
Repairs and maintenance	666	650	1,511	1,300
Salaries and wages	198,959	155,817	358,727	261,584
Total	355,475	432,066	936,457	782,555

Significant components of the Company's general and administrative expenses include salaries and benefits, regulatory and transfer agent fees, office rental and lease administration costs that are not directly attributable to the acquisition of a direct lease or loan. For the three months ended April 30, 2023, general and administrative expenses decreased by $76,591 (or 18%). This decrease was primarily a result of decreased audit and legal costs during the quarter.

Sales and marketing

Sales and marketing expenses include the following major expenses by nature:

	For 3 months ended April 30, 2023	For 3 months ended April 30, 2022	For 6 months ended April 30, 2023	For 6 months ended April 30, 2022
Advertising and promotion	$ 10,554	$ 20,630	$ 52,839	$ 40,845
Commissions	174,198	391,483	387,325	814,035
Marketing	29,306	27,026	49,307	48,126
Meals and entertainment	5,153	6,547	12,879	12,584
Total	219,211	445,686	502,350	915,590

Significant components of the Company's sales and marketing expenses include commissions and benefits paid to sales personnel. For the three months and ended April 30, 2023, sales and marketing expenses decreased by $226,475 (or 51%) as compared to that in the corresponding period of the prior fiscal year. The decrease was a result of comparatively lower sales transactions during the three months period ending April 30, 2023 compared to the same period in 2022 and the higher profit margins on those sales transactions. When commissions are paid to acquire and lease a vehicle, the costs are capitalized and amortized over the lease term, whereas, when they are paid for facilitating a brokerage lease or sale, they are expensed immediately. Similarly, for a finance type leases, commissions are capitalized to the loan and recognized over the period of the lease agreement. The Company anticipates increases to its marketing costs going forward with the goal of increasing dealership, lease customer and investor awareness of its services and expansion into new potential markets.

FINANCIAL POSITION

The following table summarizes the Company's financial position:

As at		April 30, 2023		October 31, 2022
Receivable under finance leases		**16,700,278**		14,184,435
Property under operating leases		**7,975,808**		12,028,119
Cash and cash equivalents		**1,906,537**		1,805,412
Inventory		**775,749**		472,541
Other assets		**1,208,238**		1,345,858
Total assets		**28,566,610**		29,836,365
Credit facilities and loans		**4,788,774**		8,417,311
Customers' deposits and advances		**1,959,700**		1,957,600
Deferred revenue		**604,039**		1,086,894
Other liabilities		**8,452,731**		4,881,163
Total liabilities		**15,805,244**		16,342,968
Net assets	**$**	**12,761,366**	$	13,493,397

Assets

Total assets decreased by $1,269,755 (or 4%) to $28,566,610 as at April 30, 2023 from $29,836,365 as at October 31, 2022. The Company's revenue generating lease portfolio consists of finance lease receivable and operating leases. The Company's non-portfolio assets represented 14% (October 31, 2022 - 12%) of the total assets, and consist primarily of cash and cash equivalents, inventory, prepaids, other receivables, and property and equipment. The Company generates considerable cash flows from monthly pre-authorized payments on its lease portfolio, and generally limits the amount of unutilized cash by way of the Company's banking credit facilities that allow the ability to access cash resources when required. This strategy ensures that the Company maximizes its rate of returns on its revenue generating assets.

Lease receivables

Lease receivables contain leases that are classified as finance leases. Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the lessor to the lessee at the inception of the lease transaction. Lease receivables increased to $16,700,278 as at April 30, 2023 to compared to $14,184,435 as at October 31, 2022. The increase is a result of the Company establishing new leasing terms that include requiring the lessee to cover any shortfalls should the fair market value of the vehicle be lower than the lease residual value at the date of termination of the lease. The Company specializes in vehicle leasing where this situation is rare and has historically generated profits from the resale of these vehicles, however, this additional security is expected to be in the Company's long term best interests. During the quarter ended April 30, 2023, the Company commenced utilizing its Securitization facility by pledging $5,016,526 of lease receivables to secure $4,264,047 of financing under this facility.

Properties under operating lease

An operating lease is one that does not transfer substantially all the risks and rewards of ownership to the lessee. The carrying value of properties under operating lease decreased by $4,052,311 (or 34%) to $7,975,808 as at April 30, 2023 from $12,028,119 as at October 31, 2022. The decrease in the properties under operating lease is a result of all new and released vehicles being leased under finance type lease agreements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's approach to managing capital is to ensure that it will have sufficient liquidity to meet liabilities as they come due. The Company currently settles all of its financial obligations out of cash generated from operations. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. To help manage its liquidity the Company has obtained an operating loan agreement through a major schedule 1 Canadian Financial Institution. To fund the acquisition of vehicles for leasing purposes, the Company utilizes its credit facilities and when additional capital is required, it will be raised through debt and share issuances.

The Company is subject to externally imposed capital requirements pursuant to the covenants of the secured credit facility. Management reviews its capital management approach on an ongoing basis.

The table below represents the financial leverage ratio and equity capitalization for the periods ended April 30, 2023 and October 31, 2022:

As at		April 30, 2023		October 31, 2022
Credit facilities and loans	$	**4,788,774**	$	8,417,311
Other liabilities		**11,016,470**		7,925,657
Total liabilities		**15,805,244**		16,342,968
Total Equity		**12,761,366**		13,493,397
Financial leverage ratio		**1.24 : 1**		1.21 :1

Cash flows and liquidity

Cash flows from operating activities for the six months ended April 30, 2023 consumed $1,884,617 compared to a surplus of $2,223,580 for the comparative period ended April 30, 2022. The decrease in operating cash flow was a result of relative working capital needs including inventory and accounts receivable of $601,152. Inventory, accounts receivable and trade payables often fluctuate quarter over quarter but are generally tied to short-term timing of purchase and leasing transactions or lease end sales transactions.

Cash flows and liquidity (continued)

Cash flows from investing activities amounted to a surplus of $2,793,079 compared to $1,703,493 consumed during the comparative period in 2022. This increase reflects a net $1,497,307 of lease portfolio investments compared to only $831,028 during the comparative period. The Company anticipates increasing the net investments in lease portfolio assets as the supply of new luxury vehicles returns.

Cash flows used in financing activities for the three months ended April 30, 2023 were $807,340 as compared to a net decrease of $3,275,582 for the three months ended April 30, 2022. The Company used the net surplus cash generated during the quarter to reduce the bank indebtedness by $3,628,537 to minimize the Company's resulting interest expenses. During the three months ended April 30, 2023, the Company also received $4,264,047 from securitization, and utilized $1,000,000 of funds for convertible debentures compared to $50,000 for the three months ended April 30, 2022.

The Company's Credit Loan Facility allows the Company to borrow up to $15 million at prime plus 1.5% subject to certain limitations. The bank covenant limitations require the Company to maintain a Funded Debt to Equity ratio being lower than 6 : 1 and a Working Capital including assets available for securitization of 1.25 : 1.

As at April 30 2023, the Company's Funded Debt to Equity Ratio was 0.64 represented by the $4,788,774 of funded debt by the bank and $4,264,047 funded debt by securitization facility, divided by the Company's total shareholder's equity of $12,761,362 plus the Convertible debentures that were postponed to the bank amounting to $2,086,592, less advances to related parties of $600,000.

As at April 30, 2023, the Company's Working Capital assets including assets available for securitization was 1.85 : 1 represented by total qualifying assets $16,781,316 divided by total liabilities of $9,074,575.

The Company's Securitization Facility allows the Company to borrow up to $35 million at fixed rates of interest determined at the

OUTSTANDING SHARE DATA

The Company had 87,290,273 common shares issued and outstanding at April 30, 2023 and at June 13, 2023. Please refer to Note 16 – "Share Capital" in the Company's interim financial statements for additional information.

The Company had nil purchase warrants issued and outstanding at April 30, 2023 and June 13, 2023. Please refer to Note 16 – "Share Capital" in the Company's interim consolidated financial statements for additional information.

The Company had nil share purchase options issued and outstanding at April 30, 2023 and June 13, 2023. Please refer to Note 16 – "Share Capital" in the Company's interim consolidated financial statements for additional information.

The Company had a total of $2,175,400, 5.00% convertible debentures outstanding at April 30, 2023 and June 13, 2023 that are convertible at $0.38 into a total of 5,724,737 common shares. Please refer to Note 15 – "Convertible Debenture" in the Company's interim financial statements for additional information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations are made with reference to the Company's interim financial statement for the three months ended April 30, 2023. A summary of the Company's significant accounting policies is presented in the notes to those financial statements. Some of the Company's accounting policies, as required by International Financial Reporting Standards (IFRS), require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. The Company believes the policies below are the most critical accounting estimates that affect its operating results, and that would have the most material effect on the financial statements should these policies change or be applied in a different manner.

Revenue recognition

Brokerage Commissions

The Company facilitates vehicle sales through third-party dealerships where customers have low or limited credit history. The Company bears limited inventory risk in the transaction and does not have latitude in setting vehicle prices and therefore the Company only recognizes the net fees. In these situations, the fees are recorded as revenue at the time the customer enters into the contract and the Company is entitled to the fee. The Company is not the obligor under any of these contracts.

Automobile sales

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer and the revenue and costs can be reliably measured and it is probable that economic benefits will flow to the Company. In practice, this means that revenue is recognized when vehicles are invoiced and physically delivered to the customer and payment has been received or credit approval has been obtained by the customer.

Lease interest and rental income

Finance lease interest income is included in the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. The application of the method has the effect of recognizing revenue on the financial instrument evenly in proportion of the amount outstanding over the period to maturity or repayment. Once the recorded value of a financial asset has been reduced due to an impairment loss, interest revenue continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is offset by a corresponding adjustment to the loan loss provision charge to reflect the fact that this additional revenue may not be collectible.

Rental income on operating leases is recognized on a straight-line basis over the lease term.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and is recognized in the consolidated statements of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash, term deposits, accounts receivable, due from related company, car loans receivable and receivable under finance lease.

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by IAS 39. The Company's cash and term deposit are classified as fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's loans and receivables are comprised of accounts receivable, due from related company, car loans receivable, and receivable under finance lease.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these assets are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity. When an investment is derecognized through sale or has an impairment that is other than temporary, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not have any financial assets that are classified as available-for-sale.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial assets that are classified as held-to-maturity.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's bank indebtedness, accounts payable and accrued liabilities, customers' advances, customers' deposits, due to shareholder, and short-term loans are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in profit or loss.

Property under operating leases

The Company determines the classification of a lease at its lease inception date. An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Property classified as operating leases are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term. Properties under operating leases are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

The Company has not been required to record an impairment loss to date.

Impairment of non-current assets

The carrying amounts of the Company's non-current assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

ADOPTION OF NEW ACCOUNTING POLICIES

There have been no new accounting standards or interpretations adopted during the three months ended April 30, 2023.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are set out in Note 11 to the unaudited consolidated financial statements for the three months ended April 30, 2023 and 2022. The transactions with related parties occurred in the normal course of operations.

The Company uses an office leased by Solution Lease Club, a Company controlled by the CEO of the Company for administration and promotional purposes. Solution Lease Club's office is at Unit 6, 11220 Voyageur Way, Richmond. The Company pays Solution Lease Club a $400 fee for each sales and lease transaction for property usage. During the three and six months ended April 30, 2023, the Company paid $21,200 and $40,700 to Solution Lease Club (2022- $21,400 and $42,100).

During the three and six months ended April 30, 2023, remuneration of directors and other members of key management personnel are $509,060 and $624,240 (2022 – $116,982 and $229,829).

During the three and six months ended April 30, 2023, the Company paid $54,858 to a law firm where a partner is a director of the Company (2022 – $nil).

Included in deposits and other current assets is a loan of $600,000 made to Bryan Pang, Director and CEO of the Company. The Company entered into a loan agreement with Bryan Pang on October 15, 2021 for a period of 364 days at an interest rate of 3.7%, and the loan is secured by a pledge of 2,600,000 common shares of the Company held by Mr. Pang. This loan was amended subsequent to year end, effective November 15, 2022 with a due date of April 30, 2023 at and interest rate of 6.95%. The loan was fully repaid in May 2023.

Included in convertible debentures are $400,000 held by related parties.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any other obligations which will have or are reasonably likely to have a current or future effect on the financial condition, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors, other than operating leases.

RISK MANAGEMENT

Several trends and factors that the Company could be out of control can affect the operation of Company, and have the potential of affecting its financial condition, profitability, and cash flows. These trends and factors may be changes in the vehicle market sector, the state of the domestic and global economic conditions. Management has difficulty in accurately predicting the impact of changes in these risk factors and forecasting their effects on the Company's results of operations and the financial conditions.

The Company is exposed to a few financial risks in the normal course of its business operations, including market risks resulting from policies, fluctuations in interest rates, as well as credit and liquidity risks. The following summarizes the types of market risks that the Company is exposed, and the policies and procedures for measuring and managing risk.

COVID-19 risk

The spread of COVID-19 is expected to have a material adverse effect on global and regional economies and continues to negatively impact stock markets. The adverse effects on the economy and the stock market could adversely impact the Company's ability to raise capital, or its ability to pursue other strategic initiatives.

Credit Risk

Credit risk is the risk that the Company will incur a loss a counter party will fail to perform its obligations. The Company's financial instruments that are exposed to concentrations of credit risk consist of cash, term deposits, accounts receivable, due from related company, car loans receivable, and lease receivables. The Company attempts to mitigate the risks associated with cash and term deposits by dealing only with major Canadian financial institutions with good credit ratings and performs credit assessments of all customers making material orders. The Company attempts to mitigate the risks associated with car loans receivable and lease receivables through its credit check process performed before entering into any sales arrangement.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. The Company currently settles all of its financial obligations out of cash generated from operations. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. To help manage its liquidity the Company has obtained an operating loan agreement through Canadian Western Bank.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company's financial instruments that are exposed to concentrations of interest rate risk consist of bank indebtedness and short-term loans. A change in the prime rate of interest of 1% would result in additional interest expense for the Company of $47,888 per year. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements.

Competitive environment

There can be no assurance that the Company will be able to compete successfully against its current or future competitors, or that such competition will not have a material adverse effect on the financial condition and results of operations of the Company. Overall, the market for the financial services offered by the Company is highly competitive and some of the companies operating in this sector have greater financial resources than the Company.

Potential acquisitions and investments

The Company seeks to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth.

Profitability

There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Debt Levels

Solution has had and will continue to increase its indebtedness. Its ability to make payments of principal and interest on the debt or to refinance its indebtedness will depend on Solution's future operating performance and its ability to enter into additional debt and equity financings, which to a certain extent is subject to economic, financial, competitive and other factors beyond its control.
If Solution is unable to generate sufficient cash flow in the future to service its debt, it may be required to refinance all or a portion of its existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on terms acceptable to Solution.

General Economic Conditions

The automobile finance business has historically been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. Delinquencies, defaults, repossessions and losses increase during periods of economic recession. These periods also are accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding loans, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession will depress the prices at which repossessed automobiles may be sold or delay the time of these sales.
Solution's financial results are sensitive to immigration policies, number of international students in Canada, fluctuations in general interest rates, gross domestic product growth, and the level of consumer confidence, among other factors. Although Solution's actual rates of delinquencies, defaults, repossessions and losses on these loans are very low comparing to our competitors in the general automobile finance industry, some

government policies and general economic conditions would adversely affect its business, financial condition, liquidity and results of operations or future prospects.

Dependence on Management Information Systems

Solution depends on its management information systems in each stage of its operations. These management information systems also form the basis of its financial reporting. Irreparable damage to its information systems and databases, or loss of the information contained therein, could have a material adverse effect on Solution's business, financial condition, liquidity and results of operations or future prospects.

More Stringent Government Regulations

Solution is subject to various federal, provincial and municipal laws and regulations. Such laws, regulations and related rules and policies are administered by various federal, provincial and municipal agencies and other governmental authorities. New laws governing Solution's business could be enacted and changes to any existing laws could have a significant impact on the business of Solution. Failure by Solution to comply with applicable laws and regulations may subject it to civil or regulatory proceedings which may have a material adverse effect on Solution's business, financial condition, liquidity and results of operations or future prospects.

INTERNAL CONTROLS OVER DISCLOSURE AND FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and members of the Company's Audit Committee on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO, and CFO are responsible to design, or cause to be designed under their supervision, internal controls over financial reporting ("ICFR"), to a standard that provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Disclosure controls and procedures

Disclosure controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Internal controls over financial reporting

The Company's management, including the CEO, and CFO, has evaluated the design of the Company's Internal Controls over Financial Reporting using the control framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that the Company's ICFR as at April 30, 2023 were designed and operating effectively and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Limitations of effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while the Company's Chief Executive Officer, and Chief Financial Officer believe that the Company's internal controls system and disclosure controls and procedures provides a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions. The Company will continue to periodically review our disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.