

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

POWERBAND SOLUTIONS INC.

Three and Nine Months ended September 30, 2020 and 2019

Management's Comments on Unaudited Financial Statements

The accompanying unaudited condensed interim financial statements of Powerband Solutions Inc. (the "Company") for the three and nine months ended September 30, 2020 and 2019 have been prepared by management and approved by the Board of Directors of the Company.

These financial statements have not been reviewed by the Company's external auditors.

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

POWERBAND SOLUTIONS INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian dollars - unaudited)**

	As at September 30, 2020 \$	As at December 31, 2019 \$
ASSETS		
Current		
Cash (Note 4)	1,474,790	243,030
Trade receivables (Note 14)	1,670,224	994,813
Inventory (Note 18)	-	200,365
HST receivable	137,227	178,269
Deposit (Note 5)	1,047,714	259,760
Prepaid expenses	-	131,827
	4,329,955	2,008,064
Non-Current		
Interest in joint venture (Note 7)	-	268,224
Intangible assets (Note 9)	1,724,130	1,632,347
Property, plant and equipment (Note 10)	488,414	308,688
Goodwill (Note 21)	177,386	172,593
Right of use asset (Note 17)	4,259,111	4,672,677
Total assets	10,978,996	9,062,593
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	1,829,534	2,049,600
Deferred revenue	-	200,300
Lease liability – current portion (Note 17)	606,096	551,276
Short term loan (Note 6)	989,009	100,000
Convertible debenture (Note 19)	1,455,743	1,387,791
Due to related parties – current portion (Note 13)	1,254,407	1,825,893
Total current liabilities	6,134,789	6,114,860
Non- Current		
Lease liability – long term portion (Note 17)	4,002,880	4,356,491
Canada Emergency Business Account loan (Note 23)	40,000	-
Paycheck Protection Program loan (Note 24)	610,543	-
Total long-term liabilities	4,653,423	4,356,491
Total liabilities	10,788,212	10,471,351
Shareholders' equity (deficiency)		
Share capital (Note 12)	16,732,486	16,217,356
Obligation to issue shares	160,997	225,246
Reserve (Note 12)	2,651,798	1,445,073
Deficit	(19,780,203)	(19,576,102)
Accumulated other comprehensive income (loss)	15,784	10,742
Total shareholders' equity attributable to Powerband Solutions Inc	(219,138)	1,677,685
Non-controlling interest	409,922	268,927
Total shareholders' equity (deficiency)	190,784	(1,408,758)
	10,978,996	9,062,593

Approved on behalf of the Board of Directors:"Kelly Jennings"

Director: Kelly Jennings

"Ivan Buzbuzian"

Director: Ivan Buzbuzian

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

POWERBAND SOLUTIONS INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian dollars - unaudited)**

	For the three month period ended September 30,		For the nine month period ended September 30,	
	2020	2019	2020	2019
Revenue				
Vehicle and auction sales	\$ 6,716	\$ 28,100	\$ 280,773	\$ 288,750
Software development sales	400,583	415,395	1,124,080	1,275,443
Lease origination revenue	169,426	17,621	196,418	17,621
	576,725	461,116	1,601,271	1,581,814
Cost of goods sold				
Vehicle acquisition	-	28,100	260,864	278,555
Lease vehicle amortization	(4,204)	-	14,846	-
Software development	34,292	2,219	157,219	9,108
	30,088	30,319	432,929	287,663
Gross Margin	546,637	430,797	1,168,342	1,294,151
Expenses				
Accretion (Note 17)	72,633	275,375	294,482	350,215
Amortization of intangible assets (Note 9)	176,353	180,798	396,259	486,480
Amortization of tangible assets (Note 10)	43,164	748,591	195,608	782,707
Amortization of right of use assets (Note 17)	179,292	-	532,827	-
Interest and bank charges	24,391	14,208	128,813	28,390
Consulting fees	286,772	273,565	1,008,744	742,004
Foreign exchange (gain)/loss	41,248	(9,767)	(40,682)	38,424
Insurance	75,970	29,480	151,085	35,419
Investor Relations	34,845	2,850	69,377	89,348
Office	181,498	77,475	401,755	125,112
Professional fees	472,392	78,562	822,549	286,519
Regulatory fees	47,045	29,927	140,606	80,979
Sales and marketing	69,437	95,913	185,972	255,693
Salaries and wages (Note 24)	1,025,003	875,861	3,504,775	1,191,606
Share based compensation (Note 12)	662,920	-	997,947	235,571
Utilities	16,631	26,282	49,455	26,282
Telephone	8,666	6,643	19,744	15,912
Travel	6,805	20,900	39,420	91,309
Total expenses	3,425,065	2,726,663	8,898,736	4,861,970
Other items				
Interest in joint venture	-	(214,761)	(291,094)	(422,925)
Net loss	\$ 2,878,428	\$ 2,510,627	\$ 8,021,488	\$ 3,990,744
Attributable to:				
Equity holders of Powerband Solutions Inc	2,290,267	1,606,769	5,996,334	2,663,961
Non-controlling interest	837,875	754,639	2,213,468	754,639
Basic and diluted loss per share	0.03	0.01	0.07	0.01
Weighted average number of shares outstanding	112,555,388	83,520,734	111,830,987	72,908,450

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

POWERBAND SOLUTIONS INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian dollars - unaudited)**

	For the three month period ended September 30,		For the nine month period ended September 30,	
	2020	2019	2020	2019
Net Loss	\$ 2,878,428	\$ 2,510,627	\$ 8,021,488	\$ 3,990,744
Other comprehensive income (loss)				
Foreign currency translation	(22,606)	(149,219)	6,371	(149,219)
Total Comprehensive loss	\$ 2,855,822	\$ 2,361,408	\$ 8,027,859	\$ 3,841,525
Attributable to:				
Equity Holders of Powerband Solutions Inc	\$ 2,007,684	\$ 1,606,769	\$ 5,815,719	\$ 3,086,886
Non-controlling interest	\$ 848,138	\$ 754,639	\$ 2,212,140	\$ 754,639

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

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

	Number of issued and outstanding shares	Share capital	Reserves	Obligation to Issue shares	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	1,353,751	1,091,360	-	-	-	(11,766,408)	2,458,924
Private placements				832,000					832,000
Debt to share conversion	7,050,350	705,035							705,035
Obligation to issues shares				171,000					171,000
Issue of shares as consideration for a business combination, net of transaction costs	2,500,000	237,500							237,500
Private placements	20,966,800	2,096,680							2,096,680
Currency translation difference							(605,420)		(605,420)
Non-controlling interest on acquisition of subsidiary							355,199		355,199
Non-controlling interest July 18 – September 30							(754,368)		(754,368)
Share issue costs		(148,320)							(148,320)
Share obligations converted to shares				(1,923,360)					(1,923,360)
Share based compensation	3,000,000	210,000	25,571						235,551
Loss for the period								(3,236,107)	(3,236,107)
Balance, September 30, 2019	88,262,492	14,881,116	1,379,322	171,000	-	-	605,420	15,002,515	424,064
Balance, December 31, 2019	105,764,042	16,217,356	1,445,074	124,184	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	62,500	9,631	(3,381)						6,250
Considerations related to 2019 Acquisition of MUSA Holding LLC	900,000	64,249		(64,249)					-
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			997,947						997,947
Disposition of equity interest in subsidiary on conversion of debenture								7,957,054	7,957,054
Capital contributions made on behalf of non- controlling interest							2,292,146	(2,292,146)	-
Change in non-controlling interest due to conversion of debenture							60,989	(60,989)	-
Foreign currency translation						5,043	1,328		6,371
Loss for the period							(2,213,468)	(5,808,020)	(8,021,488)
Balance, September 30, 2020	113,155,388	16,732,486	2,651,798	59,935	101,062	15,784	409,922	(19,780,203)	190,784

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

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

For the nine months ended September 30, 2020 2019

CASHFLOWS FROM OPERATING ACTIVITIES

Net Income (loss)	(8,021,488)	(3,236,107)
Add (deduct) items not affecting cash		
Accretion on lease liability	226,533	350,215
Amortization - Intangible Assets	396,259	486,480
Amortization - Right of Use and Other Assets	728,436	782,707
Foreign Exchange	14,511	38,424
Interest on Convertible Note	67,951	-
Loss on Joint Venture	291,094	422,925
Share-based Compensation	997,947	235,571
	(5,298,757)	(919,785)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	(490,996)	(638,903)
Income tax credit receivable	-	169,857
Goodwill	-	(267,290)
Inventory	200,365	
Deferred revenue	(200,300)	
Right of use asset	-	(5,153,249)
Lease liability	-	5,134,489
Federal development loan	-	(18,175)
Accounts payable and accrued liabilities	(232,911)	730,678
Net cash used in operating activities	(6,022,599)	(962,378)

CASH FLOWS FROM INVESTING ACTIVITIES

Refundable deposits	-	5,580
Property, plant and equipment additions	(262,481)	-
Deposit in trust	(780,934)	
Acquisition of controlling interest in Musa	-	(391,590)
Intangible asset additions	(570,764)	(1,307,848)
Net cash used in investing activities	(1,614,179)	(1,693,858)

CASH FLOWS FROM FINANCING ACTIVITIES

Private placements, net	400,000	941,964
Exercise of warrants and options	47,500	-
Convertible debenture financing, net	8,093,200	-
Payments to related parties	(585,327)	-
Funds from short term loans	2,388,559	1,573,917
Payment of short term loans	(1,467,938)	-
Funds from CEBA loan	40,000	-
Funds from Paycheck Protection Program loan	619,995	-
Payment of lease liability, net of deposits received	(648,543)	-
Net cash received from financing activities	8,887,446	2,515,881
Net change in cash	1,250,668	(140,355)
Foreign currency translation	(18,907)	-
Cash, beginning of the year	243,029	311,487

CASH, END OF THE PERIOD 1,474,790 171,132

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

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Powerband Solutions 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 online auction software for used vehicles, which includes real time appraisal services, market information and financing solutions. In addition, the Company offers new and used vehicle financing in the United States through its subsidiary MUSA Holdings, LLC. 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 unaudited interim consolidated financial statements ("interim consolidated financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company incurred a loss of \$8,021,488 (September 30, 2019 loss of \$3,990,744), of which \$2,212,140 of the loss was attributed to the non-controlling interest during the nine months ended September 30, 2020, and as of that date, the Company had a deficit of \$19,780,203 (September 30, 2019 - \$15,002,515).

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 interim consolidated 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. In assessing whether the going concern was appropriate, management considered all relevant information available, what was at least, but not limited to, the twelve months from the end of the reporting period.

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

These interim consolidated financial statements were approved by the Board of Directors for issuance on November 30, 2020.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

2. BASIS OF PREPARATION

a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of November 30, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed consolidated interim financial statements.

b) Newly adopted accounting standards

Interest Rate Benchmark Reform: Amendments to IFRS 9 and IFRS 7

In September 2019, IASB issued Phase 1 of its amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures, to amend certain requirements for hedge accounting and provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates ["IBOR"s]). These amendments modify hedge accounting requirements, allowing entities to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB's project on IBOR is underway and will address transition from IBOR. The Company adopted the Phase 1 amendments on January 1, 2020 which did not have a material impact on the Company's consolidated financial statements for the three months ended September 30, 2020.

c) Standards, Amendments and interpretations issued but not yet adopted

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), that replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2019, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date to January 1, 2022. Early adoption is permitted. The Company is assessing the potential impact of this standard.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these interim 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 interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim consolidated 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:

Going concern evaluation

Significant judgments used in the preparation of these interim consolidated 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 interim consolidated financial statements. Management prepares the interim consolidated 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.

Income taxes

The Company is subject to income taxes in Canada. 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 intangible asset, and the appropriate discount rate. During the years ended December 31, 2019 and December 31, 2018, the Company's intangible assets were 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

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

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 judgement 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.

4. CASH

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

	September 30, 2020	December 30, 2019
Cash at Canadian bank on hand	\$ 60,995	\$ 29,079
Cash at American bank on hand	1,413,795	213,952
Total	<u>\$ 1,474,790</u>	<u>\$ 243,030</u>

5. DEPOSITS

On July 18th, 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 (\$266,780 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, which is anticipated to be completed by December 31, 2020. 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.

On August 31, 2020, the Company signed a Letter of Intent with IntellaCar Solutions LLC to acquire a 60% equity interest. As part of the transaction a deposit of \$500,000 United States dollars (\$664,856 CAD) was made by the Company. During the month of September 2020, the company paid expenses on behalf of IntellaCar in the amount of \$16,078 CAD

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

6. SHORT TERM LOANS

On February 25, 2020, the Company entered into a loan agreement with an arm's length third party to borrow \$850,000 at a rate of 9% per annum, calculated monthly, and to mature in three months. On May 11, 2020, the Company repaid \$350,000 of this loan. On August 31, 2020, the Company repaid a further \$200,000 of this loan.

On September 17, 2020, the Company entered into a loan agreement with D&P Holdings, Inc. to borrow USD \$500,000 (CAD \$658,224) at a rate of 9% per annum, calculated monthly, and to mature in three months.

7. INTEREST IN JOINT VENTURE

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

During the three months ended September 30, 2020, D2DAA incurred losses of \$186,455 (September 30, 2019 - \$429,522). Powerband Solutions recognized \$Nil (unrecognized loss at September 30, 2020 \$318,966) and had foreign exchange loss of \$Nil (September 30, 2019 gain of \$ 9,767) resulting in an Interest in Joint Venture in Canadian dollar equivalent of \$Nil at September 30, 2020 (September 30, 2019 - \$614,402). The Company owns 50% of the voting shares of D2DAA and 50% of the net assets of D2DAA. D2DAA accounted for 46% of the Company's revenue and 75% of the Company's account receivable for the 9 months ended September 30, 2020.

8. BUSINESS COMBINATIONS

On July 19, 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 new and used online vehicle leasing platform to operate in the U.S.

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 issued 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 will be issued on the second anniversary of the closing date, for a total of 4,300,000 common shares.

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

The total consideration as of July 19, 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 19, 2019 onwards.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

8. BUSINESS COMBINATIONS (continued)

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

Consideration	Shares Issued/Issuable	Consideration USD	Consideration CAD
Cash	-	\$ 300,000.00	\$ 391,590.00
Issued on July 19, 2019	2,500,000	181,951	237,500
To be issued on July 19, 2020	900,000	49,222	64,249
To be issued on July 19, 2021	900,000	45,917	59,935
Total consideration		\$ 577,090.00	\$ 753,274.00

Common shares to be issued on July 19, 2020 and July 19, 2021 were valued using the Black-Scholes pricing model, as at the acquisition date, using the following assumption:

Inputs	July 19, 2020	July 19, 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	0.00%	0.00%

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

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

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 values of intangible asset from recording it at fair value.

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

Since the acquisition date, MUSA has contributed \$225,948 in revenues and \$3,465,576 to the Company's net loss.

POWERBAND SOLUTIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in Canadian dollars- unaudited)****For the three and nine months ended September 30, 2020 and 2019****9. 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, 2019 an additional \$984,429 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 31st, 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 33 States in the U.S. intellectual property was identified and is being amortized on a straight-line basis over five years.

The following table summarizes the movements in Intangible Assets for the three-month period ended September 30, 2020 and 2019:

Web platform

	2020	2019
	\$	\$
Cost Balance at July 1	2,285,768	3,249,340
Additions during the quarter	265,448	306,626
Cost Balance as at September 30	2,551,216	3,555,966
	2020	2019
	\$	\$
Amortization Balance at July 1	1,491,664	1,182,967
Charge during the quarter	127,561	177,798
Amortization Balance as at September 30	1,619,225	1,360,765
Carrying Value at September 30	931,991	2,195,201

LeadSource

	2020	2019
	\$	\$
Cost Balance at July 1	60,000	60,000
Additions during the quarter	-	-
Cost Balance as at September 30	60,000	60,000
	2020	2019
	\$	\$
Amortization Balance at July 1	22,000	10,000
Charge during the quarter	3,000	3,000
Amortization Balance as at September 30	25,000	13,000
Carrying Value September 30	35,000	47,000

POWERBAND SOLUTIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in Canadian dollars- unaudited)****For the three and nine months ended September 30, 2020 and 2019****9. INTANGIBLE ASSETS (continued)****Intellectual property**

	2020	2019
	\$	\$
Cost Balance at July 1,	1,032,938	-
Foreign exchange adjustments	23,420	-
Cost Balance as at September 30	1,009,518	-
	2020	2019
	\$	\$
Amortization Balance at July 1	206,587	-
Change during the quarter	45,792	-
Amortization Balance as at September 30	252,379	-
Carrying Value September 30	757,139	-
Total Carrying Value at September 30	1,724,130	2,242,201

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture Fixtures and Equipment	Computer Equipment	Leasehold Improvements	Total
Balance at July 1, 2020	355,772	7,499	8,929	372,200
Additions in the quarter	-	259,631	-	259,631
Foreign exchange adjustments	(8,067)	(170)	(203)	(8,440)
Balance at September 30, 2020	347,705	366,960	8,726	623,391
Amortization				
Balance at July 1, 2020	84,794	7,499	1,148	93,438
Foreign exchange adjustments	(1,439)	(170)	(19)	(1,638)
Amortization for the quarter	21,179	21,699	286	43,164
Balance at September 30, 2020	104,534	29,028	1,415	134,977
At September 30, 2020	243,171	237,932	7,311	488,414

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
	\$	\$
Trade payables	\$1,494,194	\$1,481,830
Accrued liabilities	335,340	567,770
Trade payables and accrued liabilities	\$1,829,534	\$2,049,600

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

12. SHARE CAPITAL AND RESERVES

Authorized

The Company is authorized to issue:

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

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.

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.

A 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 that was first announced on December 20, 2019. The first tranche of \$100,000 closed on December 21, 2019. In total 7,692,307 units (the "Units") were issued at a price of \$0.065 per Unit for total proceeds of \$500,000

Shares for Debt:

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 \$712,969.90 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.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

12. SHARE CAPITAL AND RESERVES (Continued)

Share issuances:

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

On July 19, 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 Companies on August 1, 2019.

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

On June 10, 2020, the Company issued 260,577 common shares from the exercise of warrants and options. A total of 198,077 warrants were exercised at a price of \$0.15 for proceeds of \$29,711.55. 62,500 options were exercised at \$0.10 for proceeds of \$6,250.

On June 30, 2020, the Company issued 76,923 common shares from the exercise of warrants at a price of \$0.15 for proceeds of \$11,538.45.

On July 20, 2020, the Company issued 900,000 common shares to MUSA Companies, LLC, as part of the purchase price from the July 19, 2019 acquisition.

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price (\$)
Balance, December 31, 2018	16,683,093	0.60
Warrants granted	769,280	0.15
Balance, December 31, 2019	17,452,373	0.58
Warrants granted January 15	350,000	0.15
Warrants granted January 20	3,076,924	0.15
Warrants granted March 6	2,500,000	0.30
Warrants exercised in June	(275,000)	0.15
Balance, September 30, 2020	23,104,246	0.49

A summary of the Company's share purchase warrants outstanding as at September 30, 2020 is presented below:

16,683,093 Warrants have an exercise price of 0.60, and an expiration date of February 7, 2021

769,280 Warrants have an exercise price of 0.15, and an expiration date of December 20, 2021

2,801,924 Warrants have an exercise price of 0.15, and an expiration date of January 20, 2022

350,000 Warrants have an exercise price of 0.165, and an expiration date of January 15, 2021

2,500,000 Warrants have an exercise price of 0.30, and an expiration date of March 6, 2022

The weighted average remaining contractual life of the share purchase warrants is 0.62 years.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

12. SHARE CAPITAL AND RESERVES (Continued)

Stock Options

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 May 29, 2019 the shareholders approved the 2019 Incentive Stock Option Plan (20% Fixed Plan), reserving for issuance up to 16,552,478 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 \$27,717 recognized in the three-month period ended September 30, 2020.

In October 2019, the Company granted 500,000 stock options to consultants, directors, officers and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of \$0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$ 27,046 to be recognized over the three-year vesting period, with \$3,688 recognized in the three-month period ended September 30, 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 \$3,806 recognized in the three-month period ended September 30, 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 \$3,177 recognized in the three-month period ended June 30, 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 the three-month period ended March 31, 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 the three-month period ended March 31, 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 the three-month period ended March 31, 2020.

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, including up to 2,000,000 Restricted Share Units.

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 the three-month period ended September 30, 2020.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

12. SHARE CAPITAL AND RESERVES (Continued)

Stock Options (continued)

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 the three-month period ended September 30, 2020.

On August 13, 2020, the Company issued 700,000 restricted share units to consultants of the Company. 50% of the RSUs vest on August 13, 2021 and the remaining vest on August 13, 2022.

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:

	<u>2020</u>	<u>2019</u>
Grant date share price	\$0.175 - \$0.235	\$0.06-\$0.09
Risk-free interest rate	0.31% – 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	\$0.138 - \$0.19	\$0.05 - \$0.07

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

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2019	11,278,500	0.1040
Options issued	4,500,000	0.2170
Options exercised	(62,500)	0.1000
Options cancelled	-	-
Balance, September 30, 2020	15,716,000	0.1430

A summary of the Company's stock options outstanding as at September 30, 2020 is presented below:

Number of options (#)	Exercise Price (\$)	Expiry Date
1,678,500	0.30	February 1, 2023
400,000	0.225	April 24, 2021
6,800,000	0.10	July 10, 2024
437,500	0.10	October 3, 2024
1,200,000	0.10	October 17, 2024
700,000	0.10	December 2, 2024
500,000	0.215	February 12, 2025
400,000	0.16	February 25, 2025
300,000	0.21	February 27, 2025
1,800,000	0.225	July 30, 2025
1,500,000	0.225	August 10, 2025
15,716,000		

The weighted average remaining contractual life of the options is 3.86 years.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

13. RELATED PARTY TRANSACTIONS

As at September 30, 2020, total amounts due to related parties were \$1,254,407 (September 30, 2019 \$2,185,826).

During the three-and-nine month period ended September 30, the Company recorded sales transactions to its joint venture, D2DAA, as follows:

	Three months ended September 30, 2020		September 30, 2019		Nine months ended September 30, 2020		September 30, 2019	
Development service revenue	\$	400,582	\$	404,393	\$	1,127,565	\$	1,495,023

As at September 30, 2020, the following are due from D2DAA accounts receivable (Note 14) is \$1,248,055 (2019- \$386,203). The Company owes D2DAA \$195,795 (2019- \$195,795) as at September 30, 2020. The balance is due on demand and non-interest bearing.

As at September 30, 2020, the Company owed the CEO of Musa Holdings LLC \$222,136 (2019- \$416,860). The amount is due on demand and non-interest bearing.

Shareholder loans and transactions

As at September 30, 2020 other unsecured, non-interest-bearing balances owed to shareholders totaled \$849,116 (2019 - \$1,668,783).

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 three months ended September 30, 2020 and 2019 was as follows:

- i. CEO \$75,000 (2019 - \$ 45,000).
- ii. Chief Financial Officer \$8,085 (2019- \$ 8,340)
- iii. Chief Technology Officer \$32,400 (2019- \$ 32,400)

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

14. 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	594,297	\$576,876
Past due (31-60 days)	64,870	339
Past due (> 61 days)	1,011,057	93,416
	<u>1,670,224</u>	<u>\$670,631</u>

Based on amounts which are past due, historical trends, and available information, there is no indication that a customer could be experiencing liquidity or going concern problems. These write-offs would be charged to sales and marketing expenses.

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 is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. This is provided through cash injections of the shareholder when needed. The Company also manages liquidity risk by continuously monitoring actual and budgeted expenses.

At September 30, 2020, all the Company's trade payables and accrued liabilities had contractual terms of less than one year.

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 with set interest rates.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

14. FINANCIAL INSTRUMENTS (continued)

Currency risk

No portion of the Company's revenues and operating costs are realized in currencies other than its functional currency. As a result, the Company is not exposed to currency risk on these types of transactions.

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 is measured at fair value using Level 1 inputs. The federal development loan, accounts payable, convertible debt, loan, and due to related parties' balances are classified as Level 2.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in 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 properties and fund its activities. There were no changes in the Company's approach to capital management during the three-month period ended September 30, 2020.

16. LEGAL CLAIMS

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

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

16. LEGAL CLAIMS (continued)

In November 2020, the Company was served a Notice of Civil Claim in the Superior Court of British Columbia by Miller Thomson LLP, a former law firm providing services to the Company. The amount of the claim is \$69,127. The Company will be filing a response to the civil claim disputing the claim within the allotted time to file the response.

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 based on a pattern of conduct that put the Company at significant risk. Under the terms of Mr. Frunzi's employment agreement, he is not entitled to a severance payment and forfeits any vested profit interest units if he is terminated for cause. Mr. Frunzi is suing MUSA for alleged breach of his employment agreement and contends that he was terminated for trying to bring attention to supposed misconduct by the CEO. Mr. Frunzi seeks money damages in the amount of the severance payment specified in his employment agreement, which includes 18 months' base salary, his prior year's bonus, and health insurance premiums for 18 months. He also seeks the value of 861 profit interest units that vested (prior to forfeiture) under his grant agreement before his employment was terminated. The amount in controversy is about \$427,500, not including the value of any profit interest units claimed by Mr. Frunzi. The case will proceed to trial in Dallas County on March 30, 2021.

In Re: Reagor-Dykes Motors, LP, Unites States Bankruptcy Court, Northern District of Texas, Case # 18-50214-rlj11: The Reagor-Dykes Auto Group bankruptcy includes 11 separate motor vehicle dealership entity bankruptcies that have been filed dating back to as early as August 2018. Each of the debtor entities have filed for Bankruptcy under Chapter 11 of the Bankruptcy Code seeking to reorganize their operations and the cases have been consolidated for joint administration. Over 1,300 pre-petition consumers of the Reagor-Dykes' entities were negatively impacted because Reagor-Dykes failed to properly transfer titles and register vehicles as was contemplated by the applicable consumer contracts. MUSA was in active litigation with the third-party dealership holding the title for the remaining vehicle; however, it dismissed that lawsuit as a result of a bankruptcy court order that was entered. Specifically, Mr. Mitchell filed and had a hearing regarding a Motion to Enforce Settlement Agreement seeking entry of a court order that would require the third-party dealership holding the title to deliver it to MUSA to be registered in its name. The Court granted that order and the parties worked to have the title registered in MUSA's name consistent with the terms of the Lease between MUSA and Mr. Mitchell and Mr. Mitchell's title has been transferred. MUSA is still working to transfer some remaining titles, but MUSA has those original titles in its possession and the remaining issues are not in litigation and do not impact MUSA based on MUSA's understanding of the parties' relationship.

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 the 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 and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

The liability pertaining to the lease of the facilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 15% for Canadian leases 5.75% for USA leases and . The associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility. As a result, on September 30, 2020, the Company recognized total lease liabilities of \$4,608,977 and right-of-use assets of \$4,259,111.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

17. LEASES (continued)

Company's lease liability and the right-of-use assets for the facilities is as follows:

Lease liability			
	Canada	USA	Total
Balance as at December 31, 2019	\$ 294,358	\$ 4,613,409	\$ 4,907,767
Payments	(80,226)	(568,314)	(648,540)
Currency translation adjustment	-	123,221	123,221
Accretion expense	28,683	197,845	226,528
Balance September 30, 2020	242,815	4,366,161	4,608,976
			-
Less current portion	77,716	528,380	606,096
Long-term	\$ 165,099	\$ 3,837,781	\$ 4,002,880

Right-of-use-asset			
Balance as at December 31, 2019	\$ 276,406	\$ 4,396,271	\$ 4,672,677
Currency translation adjustment	-	119,261	-
Amortization	(59,229)	(473,598)	(532,827)
Balance September 30, 2020	\$ 217,177	\$ 4,041,934	\$ 4,259,111

18. 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 nine months ended September 30, 2020, \$260,864 (Nil – 2019) of vehicles were included in Cost of Goods Sold.

19. 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 Policies of the TSXV) at the time of such conversion.

	September 30, 2020	December 31, 2019
Opening balance	\$1,387,791	\$ -
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	1,387,791	1,362,500
Accretion expense	67,952	25,291
Balance as end of period	\$1,455,743	\$1,387,791

POWERBAND SOLUTIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in Canadian dollars- unaudited)****For the three and nine months ended September 30, 2020 and 2019**

19. CONVERTIBLE DEBENTURE (continued)

During the period 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:

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.

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

	September 30, 2020	December 31, 2019
Balance at beginning of period	\$ -	\$ -
Issued	8,093,199	-
Financing costs	(180,546)	-
Foreign exchange movement	44,401	-
Conversion of Debentures	(7,957,054)	-
Balance at end of period	\$ -	\$ -

POWERBAND SOLUTIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in Canadian dollars- unaudited)****For the three and nine months ended September 30, 2020 and 2019****20. 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 nine months ended September 30, 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:

	Three months ended September 30, 2020			Nine months ended September 30, 2020		
Revenue	Canada	USA	Total	Canada	USA	Total
External revenues	\$ 6,716	\$ 169,426	\$ 176,142	\$ 150,446	\$ 196,418	\$ 346,864
Inter-segment revenue	400,583	-	400,583	1,254,407	-	1,254,407
Total Revenues	\$ 407,299	\$ 169,426	\$ 576,725	\$ 1,404,853	\$ 196,418	\$ 1,601,271

	Three months ended September 30, 2020			Nine months ended September 30, 2020		
	Canada	USA	Total	Canada	USA	Total
Operating loss before other income	\$ 2,030,290	\$ 848,138	\$ 2,878,428	5,518,254	\$ 2,212,140	\$ 7,730,394
Interest in joint venture	-	-	-	291,094	-	291,094
Net loss for the period	\$ 2,030,290	\$ 848,138	\$ 2,878,428	\$ 5,809,348	\$ 2,212,140	\$ 8,021,488

	September 30, 2020		
	Canada	USA	Total
Segmented assets	\$ 3,867,670	\$ 7,111,326	\$ 10,978,996
Segmented liabilities	4,579,793	6,208,419	10,788,212

POWERBAND SOLUTIONS INC.**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in Canadian dollars- unaudited)****For the three and nine months ended September 30, 2020 and 2019****20. SEGMENTED REPORTING (continued)****Disaggregation of revenue**

The significant majority of the Company's revenue is from contracts with customers. Taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue. In the following table revenue is disaggregated by major lines of goods and services and timing of transfer of goods and services. The Company has determined that these categories depict how the nature amount timing and uncertainty of its revenue in cash flows are affected by economic factors. The table below also includes a reconciliation of the disaggregated revenue with the Company's reportable segments

	Three months ended September 30, 2020			Nine months ended September 30, 2020		
	Canada	USA	Total	Canada	USA	Total
Vehicle and auction sales	\$ 6,716	\$	6,716	\$ 280,773	\$ -	\$ 280,773
Software development sales	400,583	-	400,583	1,124,080	-	1,124,080
Lease origination revenue	-	169,426	169,426	-	196,418	196,418
	\$ 407,299	\$ 169,426	\$ 576,725	\$ 1,404,853	\$ 196,418	\$ 1,601,271

21. GOODWILL

Goodwill is recorded at cost less any reduction for impairment. Goodwill is tested for impairment on an annual basis or when events occur that may indicate impairment. For this purpose, the Company considers both internal and external sources of information on an annual basis. The Company determine 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 Company's operations and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues, cost of sales estimated, and the discount rate. During the nine months ended September 30, 2020 the Company's goodwill was determined to not be impaired.

22. COVID-19

During the period, the global outbreak of COVID-19 (coronavirus) continued. COVID-19 has had had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. Although there are uncertainties regarding the impact of COVID-19 the Company believes that the outbreak has accelerated acceptance of the Company's online service offerings due to the desire for consumers and dealers to conduct automotive transactions online, as opposed to in physical dealerships or auction sites.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

23. GOVERNMENT ASSISTANCE

On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("CEWS") to support employers facing financial hardship as measured by certain revenue declines as a result of the COVID-19 pandemic. Certain entities of the Corporation qualified for CEWS in the March to December qualification periods and during the nine month period ended September 30, 2020, the Corporation recognized a recovery of wage expense in amount of \$265,295. As at September 30, 2020, the Corporation recognized an amount receivable related to CEWS of \$9,481 included in trade and other receivables in the statement of financial position. On July 17, 2020, the Government of Canada announced they will extend CEWS to December 19, 2020. The Corporation will continue to monitor its eligibility under the program.

The Corporation received on April 22, 2020 the \$40,000 Canada Emergency Business Account ("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.

24. PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Company's 55% owned subsidiary MUSA Holdings, LLC received a loan totaling US\$458,400 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 in an effort 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%. 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.

25. SUBSEQUENT EVENTS

Subsequent to the three-month period ended September 30, 2020, the following corporate activities occurred:

1. On October 15th, 2020, the Company entered into an agreement to partner with one of the world's leaders in big-data and artificial intelligence to offer 4.5 million vehicles for sale and lease on the Company's virtual transaction platform, DRIVRZ.
2. On October 19, 2020, the Company announced that it will be offering U.S. consumers and automotive dealerships DRIVRZ-branded credit cards through an agreement with DigniFi, a leading U.S.-based auto-financing company.
3. On October 22, 2020, the Company announced that its U.S. leasing division, MUSA Auto Finance, LLC, had secured a second Forward Flow Purchase and Security Agreement with a California-based credit union for U.S. consumers and automotive dealers using the PowerBand virtual transaction platform.
4. On October 22, 2020, the sole holder of a \$1.5 million Convertible Debenture with a maturity date of October 22, 2020 elected to convert the entire principal, pursuant to an unsecured convertible note dated October 22, 2019. \$1.0 million of the principal amount was converted at a price of \$0.065, resulting in 15,384,615 common shares of the Company being issued. \$500,000 of the principal amount was converted at a price of \$0.085, resulting in 5,882,353 common shares of the Company being issued. In total, 21,266,968 common shares were issued as fully paid and non-assessable shares in the capital of PowerBand Solutions Inc. as of October 22, 2020. The securities issued are subject to a four month hold period which will expire on February 23, 2021.

POWERBAND SOLUTIONS INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars- unaudited)
For the three and nine months ended September 30, 2020 and 2019

25. SUBSEQUENT EVENTS (continued)

5. On October 22, 2020, the Company granted 950,000 Restricted Share Units to a consultant, subject to the Company's 2020 Restricted Share Unit Plan. The RSU's vested immediately and 950,000 common shares were issued as fully paid and non-assessable shares in the capital of PowerBand Solutions Inc. as of October 22, 2020. The securities issued are subject to a four month hold period which will expire on February 23, 2021.
6. On October 28, 2020, DRIVRZ US, LLC., a wholly owned subsidiary of Powerband Solutions US Inc., signed a Membership Interest Purchase Agreement to acquire 60% of IntellaCar Solutions, LLC. The aggregate consideration to be paid by DRIVRZ is USD\$1.5 million in cash, and 2 million common shares of PBX, for a total purchase price of CDN\$2.42 million. Under the Purchase Agreement the cash portion of USD \$1,500,000 will be satisfied by a payment of USD \$500,000 upon closing, and the execution of two non-interest-bearing promissory notes. The first promissory note for USD \$600,000 has a maturity date of December 31, 2020. The second promissory note for USD \$400,000 has a maturity date of March 31, 2021. On October 28, 2020, 1 million common shares of PBX were issued to John Canales, Chairman of IntellaCar, and 1 million shares were issued to Bruce Polkes, President and CEO of IntellaCar. The shares will have a minimum four month hold period and will be subject to a restriction legend under SEC Rule 144.
7. On November 27, 2020, the Company executed a Common Voting Stock Purchase Agreement (the "Agreement") to acquire up to 15% of CB Auto Group, Inc.'s ("CB Auto") issued and outstanding common shares (the "Shares") for aggregate consideration of USD \$5,000,000. The Company paid USD \$500,000 in cash, (less a previously paid USD \$50,000 deposit) to acquire an initial 10% of the Shares of CB Auto. The November 27, 2020 closing is the first of four tranches. On the closing of the second tranche, scheduled for December 31, 2020, the Company will pay USD \$1.5 million for 30% of the Shares of CB Auto. On March 31, 2021, the Company will close on the third tranche and pay USD \$1.5 million for an additional 30% of the Shares of CB Auto. The fourth tranche will close on June 30, 2021, with the Company making a final payment of USD \$1.5 million for a further 30% of the Shares of CB Auto. In addition to the initial cash payment of USD \$500,000, the Company has issued a total of 750,000 PowerBand share purchase warrants (the "Warrants") to CB Auto. The Warrants have an exercise price of \$0.30 and a three-year maturity period. 10% of the Warrants were exercisable on November 27, 2020. 30% will be exercisable on December 31, 2020, a further 30% on March 31, 2021, and the final 30% of the Warrants will be exercisable on June 30, 2021. The common shares of the Company issued upon the exercise of the Warrants will be subject to a four-month and one-day hold. As part of the Agreement the Company has been granted an option (the "Option") to purchase up to an additional 15% of the issued and outstanding Common Stock of CB Auto, for a period of 18 months following the November 27, 2020 closing, at a USD \$40,000,000 valuation of CB Auto immediately preceding the exercise of the Option. The Agreement will provide CB Auto's union membership of 67 million people, direct access to DRIVRZ, PowerBand's virtual platform to buy, lease, sell and trade cars and trucks. The Agreement was approved by the TSX Venture Exchange.