



POWERBAND SOLUTIONS INC.
Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

Notice to Reader

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

POWERBAND SOLUTIONS INC.

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

	Note	As at, March 31, 2021 (Unaudited)	As at, December 31, 2020 (Audited)
ASSETS			
Current assets			
Cash	7	\$ 3,260,972	\$ 1,403,213
Accounts receivable, net	8	1,755,876	1,297,425
Inventory	9	18,000	18,000
Deposits	10	401,500	354,640
Other current assets		324,154	277,245
Total current assets		5,760,502	3,350,523
Non-current assets			
Property and equipment, net	12	380,547	426,093
Goodwill	13	2,627,741	2,660,549
Intangible assets, net	13	2,602,613	2,852,781
Right-of-use asset	14	3,700,292	3,912,622
Investment	11	1,571,875	636,600
Total non-current assets		10,883,068	10,488,645
Total assets		\$ 16,643,570	\$ 13,839,168
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	15, 22	\$ 2,598,106	\$ 3,171,728
Short term loan	16	-	254,640
Deferred revenue		35,102	18,000
Due to related parties	22	4,326,816	4,611,421
Lease obligation - current portion	17	604,354	596,817
Government assistance	19	616,438	623,635
Total current liabilities		8,180,816	9,276,241
Non-current liabilities			
Lease obligation - long term portion	17	3,481,795	3,683,124
Total non-current liabilities		3,481,795	3,683,124
Total liabilities		11,662,611	12,959,365
Shareholders' Equity (Deficiency)			
Share capital	20	25,714,062	18,932,553
Obligation to issue shares	5	59,935	59,935
Reserves	20	3,742,358	3,568,482
Other comprehensive income		(82,734)	(1,348)
Deficit		(25,639,777)	(23,257,282)
Total shareholders' equity (deficiency) attributed to owners		3,793,844	(697,660)
Non-controlling interest	21	1,187,115	1,577,463
Total shareholders' equity		4,980,959	879,803
Total liabilities and shareholders' equity (deficiency)		\$ 16,643,570	\$ 13,839,168

Nature of operations and going concern (note 1); Subsequent events (note 27)
Approved on behalf of the Board of Directors:

"Kelly Jennings" (signed)
Director

"Bill Butler" (signed)
Director

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

POWERBAND SOLUTIONS INC.

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

Three Months Ended March 31,	2021	2020
Revenue		
Vehicle and auction sales	\$ 130,891	\$ 207,566
Software development sales (note 22)	371,258	393,686
Lease origination revenue	2,224,936	14,180
Subscription revenue	162,683	-
	2,889,768	615,432
Cost of goods sold		
Vehicle acquisition (note 9)	128,149	200,364
Software development	304,702	393,686
Lease acquisition	886,449	10,211
Subscription costs	16,925	-
	1,336,225	604,261
Gross Profit	1,553,543	11,171
Expenses		
Salaries and wages	2,190,595	1,053,538
Professional fees (note 22)	720,006	476,331
Cost of finance	125,134	-
Share based compensation (note 20(f))	130,254	271,539
Investor relations	31,586	19,837
Regulatory fees	74,402	47,506
Insurance	22,956	44,447
Sales and marketing	217,226	70,725
Rent expense	16,535	-
Office and sundry expenses	221,894	136,730
Travel expense	55,005	26,891
Utilities	-	15,574
Telephone	12,671	5,059
Interest and bank charges	24,803	50,448
Amortization of intangible assets (note 13)	221,271	153,252
Amortization of tangible assets (note 12)	40,564	23,206
Amortization of right of use assets (note 14)	167,510	176,719
Accretion (note 17, 18)	63,468	110,744
Foreign exchange loss (gain)	(34,028)	(158,156)
	4,301,852	2,524,390
Loss from operations	(2,748,309)	(2,513,219)
Other income (expense)		
Interest in joint venture (note 6)	-	(244,992)
	-	(244,992)
Loss before taxes	(2,748,309)	(2,758,211)
Income taxes		
Net loss	\$ (2,748,309)	\$ (2,758,211)
Net loss attributable to:		
Equity holders of PowerBand Solutions Inc.	\$ (2,007,690)	\$ (2,028,239)
Non-controlling interest (note 21)	\$ (740,619)	\$ (729,972)
Basic and diluted net loss per share	\$ (0.018)	\$ (0.026)
Weighted average number of common shares outstanding - basic and diluted	150,916,354	107,131,563

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

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

Three Months Ended March 31,	2021	2020
Net loss	\$ (2,748,309)	\$ (2,758,211)
Other Comprehensive income (loss)		
(Loss) Gain on foreign currency translation	(105,920)	44,633
Total Comprehensive Income (loss)	\$ (2,854,229)	\$ (2,713,578)
Total comprehensive loss attributable to:		
Equity holders of PowerBand Solutions Inc	\$ (2,089,076)	\$ (2,001,459)
Non-controlling interest	\$ (765,153)	\$ (712,119)

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

POWERBAND SOLUTIONS INC.

Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian dollars) (Unaudited)

Three Months Ended March 31,	2021	2020
Cash flows provided by (used in) operating activities		
Net loss for the period	\$ (2,748,309)	\$ (2,758,211)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Accretion on lease liability (note 17)	63,468	77,174
Amortization of intangible assets (note 13)	221,271	153,252
Amortization of tangible assets (note 12)	40,564	-
Amortization of right of use assets (note 14)	167,510	210,136
Foreign exchange loss (gain)	25,062	(163,011)
Interest on convertible note	-	33,570
Loss on joint venture (note 6)	-	244,992
Share based compensation (note 20(f))	130,254	271,539
	(2,100,180)	(1,930,559)
(Increase) Decrease in:		
Accounts receivable	(496,378)	(216,663)
Inventory	-	200,365
Deposits	(18,480)	-
Other non-current assets	(48,720)	(11,558)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(554,886)	(572,537)
Deferred revenue	17,218	(200,300)
Net cash used in operating activities	(3,201,426)	(2,731,252)
Cash flows provided by (used in) investing activities		
Purchase of intangible asset (note 13)	-	(247,199)
Purchase of investment (note 11)	(1,025,640)	-
Net cash provided by (used in) investing activities	(1,025,640)	(247,199)
Cash flows provided by (used in) financing activities		
Private placements, net	5,207,705	400,000
Exercise of warrants and options	1,617,426	-
Funds from loan	-	1,367,937
Payment of lease liability, net of deposits received (note 17)	(208,093)	(215,114)
Convertible debenture financing (note 18)	-	1,996,780
Funds from related parties	2,637,485	-
Payments to related parties	(3,170,767)	(6,076)
Net cash provided by financing activities	6,083,756	3,543,527
Net change in cash	1,856,690	565,076
Effect of exchange rate changes on cash held in foreign currencies	1,069	(3,055)
Cash, beginning of period	1,403,213	243,029
Cash, end of period	\$ 3,260,972	\$ 805,050

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

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

	Number of issued and outstanding shares #	Share Capital \$	Obligation to issue shares \$	Reserves \$	Equity component of convertible debenture \$	Other comprehensive income \$	Non-controlling interest \$	Deficit \$	Total Shareholders equity \$
Balance December 31, 2019	105,764,042	16,217,356	124,184	1,445,074	101,062	10,741	268,927	(19,576,102)	(1,408,758)
Private placements	6,153,846	400,000	-	-	-	-	-	-	400,000
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	-	-	-	271,539	-	-	-	-	271,539
Capital contributions made on behalf of non-controlling interest	-	-	-	-	-	-	729,711	(729,711)	-
Foreign currency translation	-	-	-	-	-	26,780	17,853	-	44,633
Loss for the period	-	-	-	-	-	-	(729,972)	(2,028,239)	(2,758,211)
Balance, March 31, 2020	111,917,888	16,617,356	124,184	1,928,771	101,062	37,521	286,519	(22,334,052)	(3,238,639)
Balance December 31, 2020	137,534,856	18,932,553	59,935	3,568,482	-	(1,348)	1,577,463	(23,257,282)	879,803
Private placements	18,275,862	5,300,000	-	-	-	-	-	-	5,300,000
Share issues costs	-	(92,294)	-	-	-	-	-	-	(92,294)
Broker warrants issued with private placement	-	(43,622)	-	43,622	-	-	-	-	-
Exercise of warrants	2,707,291	1,067,125	-	-	-	-	-	-	1,067,125
Exercise of options	3,801,000	550,300	-	-	-	-	-	-	550,300
Share based compensation	-	-	-	130,254	-	-	-	-	130,254
Capital contributions made on behalf of non-controlling interest	-	-	-	-	-	-	374,805	(374,805)	-
Foreign currency translation	-	-	-	-	-	(81,386)	(24,534)	-	(105,920)
Loss for the period	-	-	-	-	-	-	(740,619)	(2,007,690)	(2,748,309)
Balance, March 31, 2021	162,319,009	25,714,062	59,935	3,742,358	-	(82,734)	1,187,115	(25,639,777)	4,980,959

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These condensed interim consolidated financial statements ("financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of \$2,748,309 (March 31, 2020 - \$2,758,211), of which \$740,619 (March 31, 2020 - \$729,972) was attributed to the non-controlling interest during the three months ended March 31, 2021, and as of that date, the Company had a deficit of \$25,639,777 (December 31, 2020 - \$23,257,282).

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

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

As described in Note 27, subsequent to the period end March 31, 2021, the Company raised \$713,130 from exercise of warrants and options. The Company has a detailed business plan for 2021 which provides different options on capital expenditures depending on the level of funding available. The Company is currently implementing various strategies.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issuance on May 25, 2021.

2. BASIS OF PREPARATION

a) Statement of compliance

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

2. BASIS OF PREPARATION - (continued)

a) Statement of compliance (continued)

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2020. However, this interim financial report provides selected significant disclosures that are required in the annual audited consolidated financial statements under IFRS.

Except as described below, these condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2020.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2021.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and, therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2020. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

New Accounting Standards and recent pronouncements

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

Property, plant and equipment (Amendments to IAS 16)

IAS 16, Property, plant and equipment has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

IAS 1 Presentation of Financial Statements has been revised to incorporate amendments issued by the IASB in January 2020. The amendments clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed 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 financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities:

Going concern evaluation

Significant judgments used in the preparation of these financial statements relate to the assessment of the Company's ability to continue as a going concern. Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless Management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, management concluded the going concern basis of accounting is appropriate.

Share-based payment

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

Estimated useful lives

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

Impairment of long-lived assets

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

Impairment of goodwill

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Allocation of purchase consideration

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

Leases

Critical judgments in determining the lease term

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

Convertible debentures

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

Provision for expected credit losses ("ECL")

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

The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Interest in other entities

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

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

5. BUSINESS COMBINATION AND ACQUISITIONS

Acquisitions in 2019

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

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

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

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

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

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

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

- (i) Of the 2,500,000 common shares, 2,500,000 have a hold period expiry date of December 1, 2019 and are subject to a restriction as per the Agreement.
- (ii) Common shares to be issued on July 17, 2020 and July 17, 2021 were valued using the Black-Scholes pricing model, as at the acquisition date, using the following assumptions:

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

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

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

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

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

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

5. BUSINESS COMBINATION AND ACQUISITIONS (continued)

Acquisitions in 2020

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

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

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

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

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

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

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

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

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

6 INTEREST IN JOINT VENTURE

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

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

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

7 CASH

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Cash at Canadian bank on hand	\$1,586,136	\$ 99,300
Cash at American bank on hand	1,674,836*	1,303,913*
Total	<u>\$3,260,972</u>	<u>\$1,403,213</u>

*Includes restricted cash of \$267,809 (December 31, 2020 - \$260,383) based on terms of the agreement with financial institutions.

8 ACCOUNTS RECEIVABLE

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	\$	\$
Accounts receivable	2,132,861	1,674,410
Less: Expected credit loss	(376,985)	(376,985)
	<u>1,755,876</u>	<u>1,297,425</u>

9 INVENTORY

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

During the three months ended March 31, 2021, \$128,149 (March 31, 2020 - \$200,364) of vehicles were included in Cost of Goods Sold.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

10 DEPOSITS

On July 18, 2018 the Company signed a Letter of Intent with Zoom Blockchain Solutions Inc. to establish a disruptive automotive-related blockchain and application technologies solution. The joint venture will develop a blockchain powered mobile application to buy and sell cars. As part of the transaction a deposit of \$200,000 United States dollars (\$251,500 CAD) was made by the Company. The Company is involved with ongoing discussions with Zoom Blockchain Solutions Inc. to formalize an agreement for the joint venture. On May 13, 2021, the deposit was exchanged for 10% secured convertible notes payable in Rego Payment Architectures Inc.

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 \$150,000 is being held in trust pending the closing of the transaction. The automotive service center holds a license to operate a used vehicle operation in the Province of Ontario. The license will be transferred to DRIVRZ Financial Inc. upon the closing of the Share Purchase Agreement.

11. INVESTMENT

On November 27, 2020, the Company entered into a share purchase agreement with CB Auto Group Inc. a Georgia, USA corporation to acquire 15% interest for a cash consideration of US\$5 million to be paid in installments over a period ending June 30, 2021 and the issuance of 750,000 share purchase warrants having an exercise price of \$0.30 for a period of 3 years. As of March 31, 2021, the Company has made total payments of US\$1,250,000 (\$1,571,875 CAD) (December 31, 2020 - US\$500,000 (\$636,600 CAD)) and has issued 75,000 share purchase warrants.

12. PROPERTY AND EQUIPMENT

	Furniture fixtures and equipment	Computer equipment	Leasehold improvements	Software	Total
	\$	\$	\$	\$	\$
<i>Cost</i>					
Balance at December 31, 2019	339,064	7,147	8,509	-	354,720
Additions	-	6,218	-	254,338	260,556
Currency translation adjustment		(322)		(12,490)	(12,812)
Balance at December 31, 2020	339,064	13,043	8,509	241,848	602,464
Additions	-	-	-	-	-
Currency translation adjustment	(4,044)	47	(180)	(806)	(4,983)
Balance at March 31, 2021	335,020	13,090	8,329	241,042	597,481
<i>Accumulated amortization</i>					
Balance at December 31, 2019	40,140	5,347	545	-	46,032
Amortization	84,086	2,724	1,136	42,393	130,339
Balance at December 31, 2020	124,226	8,071	1,681	42,393	176,371
Amortization	19,822	490	267	19,985	40,564
Balance at March 31, 2021	144,047	8,561	1,948	62,378	216,934
<i>Net book value</i>					
Balance at December 31, 2020	214,838	4,971	6,828	199,456	426,093
Balance at March 31, 2021	190,973	4,529	6,381	178,664	380,547

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

13. INTANGIBLE ASSETS

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

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

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

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

The following table summarizes the movements in Intangible Assets:

	Web platform	Customer base	Intellectual property	Trademarks	Other	IP Technology under development	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance at December 31, 2019	1,981,737	60,000	986,142	-	-	-	3,027,879
Additions	174,857	-	-	-	-	254,640	429,497
Additions from business acquisition (note 5)	-	25,274	361,814	850,397	297,832	-	1,535,317
Disposals	-	-	-	-	-	-	-
Currency translation adjustment	-	-	(36,620)	(36,440)	(12,763)	-	(85,823)
Balance at December 31, 2020	2,156,594	85,274	1,311,336	813,957	285,069	254,640	4,906,870
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Currency translation adjustment	-	(298)	(16,170)	(10,037)	(3,515)	(3,140)	(33,160)
Balance at March 31, 2021	2,156,594	84,976	1,295,166	803,920	281,554	251,500	4,873,710
Accumulated amortization							
Balance at December 31, 2019	1,281,089	16,000	98,443	-	-	-	1,395,532
Amortization	407,948	12,806	217,750	27,132	9,502	-	675,138
Currency translation adjustment	-	-	(16,581)	-	-	-	(16,581)
Balance at December 31, 2020	1,689,037	28,806	299,612	27,132	9,502	-	2,054,089
Amortization	84,572	4,203	65,196	40,468	14,173	12,660	221,271
Currency translation adjustment	-	-	(4,263)	-	-	-	(4,263)
Balance at March 31, 2021	1,773,609	33,009	360,545	67,600	23,675	12,660	2,271,097
Net book value							
Balance at December 31, 2020	467,557	56,468	1,011,724	786,825	275,567	254,640	2,852,781
Balance at March 31, 2021	382,985	51,967	934,621	736,320	257,879	238,840	2,602,613

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

13. INTANGIBLE ASSETS (continued)

Goodwill

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

	\$
Balance at December 31, 2019	172,593
Goodwill on acquisition of INTELLACAR	2,490,980
Currency translation adjustment	(3,024)
Balance at December 31, 2020	2,660,549
Currency translation adjustment	(32,808)
Balance at March 31, 2021	2,627,741

14. RIGHT OF USE ASSETS

	Canada	USA	Total
<i>Cost</i>	\$	\$	\$
Balance as at December 31, 2019	355,380	4,678,322	5,033,702
Currency translation adjustment	-	(96,940)	(96,940)
Balance as at December 31, 2020	355,380	4,581,382	4,936,762
Currency translation adjustment	-	(56,493)	(56,493)
Balance as at March 31, 2021	355,380	4,524,889	4,880,269
<i>Accumulated amortization</i>			
Balance as at December 31, 2019	(78,974)	(282,051)	(361,025)
Amortization	(78,974)	(626,850)	(705,824)
Currency translation adjustment	-	42,709	42,709
Balance as at December 31, 2020	(157,948)	(866,192)	(1,024,140)
Amortization	(19,743)	(147,767)	(167,510)
Currency translation adjustment	-	11,673	11,673
Balance as at March 31, 2021	(177,691)	(1,002,286)	(1,179,977)
<i>Net carrying amount</i>			
At December 31, 2020	197,432	3,715,190	3,912,622
At March 31, 2021	177,689	3,522,603	3,700,292

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

15. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	1,924,883	1,531,289
Accrued liabilities	673,223	1,640,439
	2,598,106	3,171,728

16. SHORT TERM LOAN

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

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

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

17. LEASES

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

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

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

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

The liability pertaining to the lease of the facilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 15% for Canadian leases 5.75% for USA leases and the associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

17. LEASES (continued)

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

	Canada	USA	Total
	\$	\$	\$
Balance as at December 31, 2019	294,358	4,613,409	4,907,767
Repayment of lease liability	(106,969)	(751,309)	(858,278)
Accretion expense	37,072	258,864	295,936
Currency translation adjustment	-	(65,484)	(65,484)
Balance as at December 31, 2020	224,461	4,055,480	4,279,941
Repayment of lease liability	(26,742)	(180,132)	(206,874)
Accretion expense	7,560	55,908	63,468
Currency translation adjustment	-	(50,386)	(50,386)
Balance as at March 31, 2021	205,279	3,880,870	4,086,149
<i>Current portion</i>			
Balance as at December 31, 2020	80,503	516,314	596,817
Balance as at March 31, 2021	83,325	521,029	604,354
<i>Long-term portion</i>			
Balance as at December 31, 2020	143,958	3,539,166	3,683,124
Balance as at March 31, 2021	121,954	3,359,841	3,481,795

18. CONVERTIBLE DEBENTURE

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

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

18 CONVERTIBLE DEBENTURE (continued)

During the year 2020 PowerBand Solutions US Inc., a U.S. based subsidiary of the Company entered into a non-brokered private placement of unsecured convertible debentures (the "Debentures") in the aggregate principal amount of USD \$10 million with each Debenture having a face value of USD \$10,000. The Debentures were closed in tranches, mature on March 6, 2023 and bear interest at a rate of 9% per annum, payable monthly in cash. PowerBand US can prepay, on 30 days advance notice, all or any part of the principal and accrued but unpaid interest, at no penalty.

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

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

Share price at grant date: \$0.15

Risk free interest rate: 0.72%

Expected life of warrants: 2 years

Expected annualized volatility: 123%

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

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

	March 31, 2021	December 31, 2020
	\$	\$
Balance at beginning of the year	-	-
Issued during the year	-	8,093,200
Financing costs	-	(180,546)
Foreign exchange movement	-	44,400
Conversion of Debentures	-	(7,957,054)
Balance at end of the year	-	-

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

19. GOVERNMENT STIMULUS SUBSIDIES

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

Canada Emergency Wage Subsidy ("CEWS")

The CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government stimulus subsidy income as reductions of \$35,600 to Salaries and wages expenses for the three months ended March 31, 2021.

Canada Emergency Rent Subsidy ("CERS")

The CERS provides qualifying companies with a monthly financial support grant based on eligible expenses, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government stimulus subsidy income as reductions of \$5,246 to Office and sundry expenses for the three months ended March 31, 2021.

Canada Emergency Business Account ("CEBA")

The Company received on April 22, 2020, an amount of \$40,000 towards CEBA which is an interest-free loan to cover operating costs. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000.

United States Paycheck Protection Program ("PPP")

On April 17, 2020, the Company's subsidiary MUSA Holdings, LLC received a loan totaling US\$458,400 (\$576,438 CAD) under the U.S. Small Business Administration Paycheck Protection Program. Proceeds from this program have been used to assist U.S. small businesses during the COVID-19 pandemic to keep employees on the payroll and to contribute to utilities, rent and mortgage costs. The loan has a maturity of two years and an interest rate of 1% per annum, payable monthly, but only if the application for loan forgiveness is denied by the government. The loan will be fully forgiven if the funds are used for payroll and utilities costs if at least 60% of the forgiven amount is used for payroll and full-time equivalent employees remain on payroll during the eight week period following the receipt of the funds. Loan payments will also be deferred for six months. No collateral or personal guarantees are required. The Company has submitted the application for forgiveness and believes that it has complied with the relevant provisions of the program.

20. SHARE CAPITAL AND RESERVES

(a) Authorized:

The Company is authorized to issue:

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

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

(b) Shares issued on Private Placements:

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

20. SHARE CAPITAL AND RESERVES (continued)

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

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

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

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

On February 10, 2021, the Company closed on \$5,300,000 of a Private Placement financing, representing 18,275,862 units at a price of \$0.29 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, and each warrant shall entitle the holder thereof to acquire one common share at an exercise of \$0.49 per warrant share for a period of two years following the date of issuance. The share issuance costs amounted to \$92,294.

(c) Shares for Debt and services:

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

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

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

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

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

(d) Shares issued for acquisitions

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

On July 20, 2020, the Company issued 900,000 common shares to MUSA Holdings, LLC as part of the purchase price from the July 17, 2019 acquisition. See Note 5.

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

20. SHARE CAPITAL AND RESERVES (continued)

(e) Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	March 31, 2021		December 31, 2020	
	Number of share purchase warrants	Weighted average exercise price (\$)	Number of share purchase warrants	Weighted average exercise price (\$)
Balance, beginning of period	23,179,246	0.49	17,452,322	0.58
Warrants granted	18,594,120	0.49	6,001,924	0.22
Warrants exercised	(2,707,291)	(1.05)	(275,000)	(1.05)
Warrants expired	(15,225,801)	(0.60)	-	-
Balance, end of period	23,840,274	0.43	23,179,246	0.49

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

Number of share purchase warrants (#)	Exercise Price (\$)	Expiry Date
769,230	0.15	December 20, 2021
1,901,924	0.15	January 20, 2022
2,500,000	0.30	March 6, 2022
18,594,120	0.49	February 10, 2023
75,000	0.30	November 27, 2023

The weighted average remaining contractual life of the share purchase warrants is 1.65 years.

(f) Share-based compensation

(i) Stock option plan

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

In July 2019, the Company granted 6,800,000 stock options to consultants, directors, officers, and employees of the Company which vest over a two-year period. The stock options were issued with an exercise price of \$0.10 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$ 488,737, to be recognized over the three-year vesting period, with \$23,639 (2020 - \$49,865) recognized for the three months period ended March 31, 2021.

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 \$1,945 (2020 - \$7,047) recognized for the three months period ended March 31, 2021.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

20. SHARE CAPITAL AND RESERVES (continued)

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 \$nil (2020 - \$19,038) recognized for the three months period ended March 31, 2021.

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 \$nil (2020 - \$12,564) recognized for the three months period ended March 31, 2021.

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 for the three months 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 for the three months 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 for the three months period ended March 31, 2020.

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

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

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

In November 2020, the Company granted 50,000 stock options to consultants, officers, and employees, which vested immediately and 250,000 which vest over a period one year. The stock options were issued with an exercise price of \$0.21 and \$0.26 respectively and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$62,239, with \$40,146 recognized in 2020 and \$16,025 recognized for the three months period ended March 31, 2021.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(i) Stock option plan (continued)

In December 2020, the Company granted 475,000 stock options to employees, 350,000 vest immediately and 125,000 vest over a period of one year. The stock options were issued with an exercise price of \$0.205 and \$0.25, respectively and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$85,937, with \$61,332 recognized in 2020 and \$15,222 recognized for the three months period ended March 31, 2021.

In January 2021, the Company granted 200,000 stock options to employees, 68,000 vest immediately and 66,000 each vest over a period of one year and two year respectively. The stock options were issued with an exercise price of \$0.29 and an expiry date five years from the date of issuance. The fair value of share-based compensation in connection with this stock option grant was \$46,597, with \$21,228 recognized for the three months period ended March 31, 2021.

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:

	2021	2020	2019
Grant date share price	\$0.29	\$0.16 - \$0.26	\$0.06 - \$0.09
Risk-free interest rate	0.39%	0.22% - 1.39%	1.25% - 1.58%
Expected life of options	5 years	5 years	5 years
Expected annualized volatility	115%	115%	115%
Expected dividend yield	-	-	-
Black-Scholes value of each option	\$0.233	\$0.13 - \$0.21	\$0.05 - \$0.07

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

	March 31, 2021		December 31, 2020	
	Number of stock options	Weighted average exercise price (\$)	Number of stock options	Weighted average exercise price (\$)
Balance, beginning of period	19,928,500	0.1740	11,278,500	0.1040
Options issued	200,000	0.2900	9,275,000	0.2200
Options exercised	(3,801,000)	0.1450	(225,000)	0.1000
Options cancelled/forfeited	(500,000)	0.1000	(400,000)	0.2250
Balance, end of period	15,827,500	0.1850	19,928,500	0.1740

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(i) Stock option plan (continued)

A summary of the Company's stock options outstanding and exercisable as at March 31, 2021 is presented below:

Expiry date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
		years	\$		\$
February 1, 2023	1,077,500	2.09	0.30	1,077,500	0.30
July 10, 2024	3,400,000	3.53	0.10	3,400,000	0.10
October 15, 2024	375,000	3.79	0.10	125,000	0.10
October 17, 2024	1,200,000	3.80	0.10	1,200,000	0.10
December 2, 2024	700,000	3.92	0.15	700,000	0.15
February 12, 2025	500,000	4.12	0.22	500,000	0.22
February 25, 2025	400,000	4.15	0.16	400,000	0.16
February 27, 2025	300,000	4.16	0.21	300,000	0.21
July 30, 2025	1,800,000	4.58	0.23	1,800,000	0.23
August 10, 2025	1,500,000	4.61	0.23	1,500,000	0.23
October 1, 2025	250,000	4.75	0.22	62,500	0.22
October 20, 2025	500,000	4.81	0.22	500,000	0.22
October 27, 2025	2,850,000	4.83	0.22	2,850,000	0.22
November 2, 2025	250,000	4.84	0.26	125,000	0.26
November 26, 2025	50,000	4.91	0.21	50,000	0.21
December 14, 2025	350,000	4.96	0.21	350,000	0.21
December 28, 2025	125,000	4.99	0.25	62,500	0.25
January 4, 2026	200,000	4.76	0.29	68,000	0.29
	15,827,500	3.87	0.19	15,070,500	0.18

(ii) Restricted share unit plan

At the Company's Annual General Meeting held on July 29, 2020, the shareholder approved the 2020 Restricted Share Unit Plan, reserving for issuance a maximum of 2,000,000 common shares of the Company. The 2,000,000 Restricted Share Unit are included in the 22,435,693 common shares of the Incentive Stock Option Plan (20% Fixed Plan). As at March 31, 2021, no RSUs remain available to be granted.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

20. SHARE CAPITAL AND RESERVES (continued)

(f) Share-based compensation (continued)

(ii) Restricted share unit plan (continued)

RSUs outstanding as at March 31, 2021:

	Number of RSUs
Balance as at December 31, 2018	-
Granted	3,000,000
Vested	(3,000,000)
Balance as at December 31, 2019	-
Granted	2,000,000
Vested	(950,000)
Balance as at December 31, 2020 and March 31, 2021	1,050,000

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

On August 13, 2020, the Company issued 700,000 restricted share units to consultants of the Company at a price of \$0.22 per common share for services rendered. 50% of these restricted share units will vest on August 13, 2021 and remaining 50% will vest on August 13, 2022. The Company recognized \$44,301 as share based compensation in 2020 and \$28,479 for the three months period ended March 31, 2021.

On October 14, 2020, the Company issued 350,000 restricted share units to consultants of the Company at a price of \$0.195 per common share for services rendered. 50% of these restricted share units will vest on October 14, 2021 and remaining 50% will vest on October 14, 2022. The Company recognized \$10,939 as share based compensation in 2020 and \$12,622 for the three months period ended March 31, 2021.

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

(g) Escrow shares

In fiscal year ended December 31, 2018, upon the completion of the Reverse Takeover transaction on February 8, 2018, a number of shares of insiders of Marquis Ventures Inc. and Powerband Solutions Inc. were subject to an escrow agreement. 10% of the shares became free-trading on February 8, 2018 with 15% released every six months following. As at March 31, 2021, nil (December 31, 2020 – 2,834,869) issued shares were being held in escrow.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

21 NON-CONTROLLING INTERESTS

	Musa Holdings LLC	IntellaCar Solutions LLC	Total
NCI in subsidiary at March 31, 2021	45.40%	60.69%	
	\$	\$	\$
At December 31, 2019	268,927	-	268,927
Capital contribution	2,827,083	-	2,827,083
Change in NCI	60,989	-	60,989
Foreign currency translation	(4,737)	-	(4,737)
Share of loss	(2,789,415)	-	(2,789,415)
At March 31, 2020	362,847	-	362,847
At December 31, 2020	362,847	1,214,616	1,577,463
Capital contribution	356,878	17,927	374,805
Foreign currency translation	(9,984)	(14,550)	(24,534)
Share of loss	(586,105)	(154,514)	(740,619)
At March 31, 2021	123,636	1,063,479	1,187,115

22. RELATED PARTY TRANSACTIONS

During the three months period ended March 31, 2021, the Company paid for expenses \$8,101 (2020 - \$6,431) and charged subscription fee of \$3,494 (2020 - \$3,969) to companies controlled by the CEO.

During the three months period ended March 31, 2021 and 2020, the Company recorded sales transactions to its joint venture, D2DAA, as follows:

	March 31, 2021 (\$)	March 31, 2020 (\$)
Software development sales	371,258	393,686
Vehicle and auction sales	-	-

As at March 31, 2021, the following are due/to from D2DAA accounts receivable is \$1,112,765 (December 31, 2020 - \$968,801) and \$18,000 (December 31, 2020 - \$18,000) is included in deferred revenue for deposit on vehicles by D2DAA. The Company owes D2DAA \$597,312 (December 31, 2020 - \$604,770) as at March 31, 2021. The balance is due on demand and non-interest bearing.

As at March 31, 2021, the Company owed the former CEO of Musa Holdings LLC \$204,973 (December 31, 2020 - \$207,532). The amount is due on demand and non-interest bearing.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

22. RELATED PARTY TRANSACTIONS (continued)

Shareholder loans and transactions

As at March 31, 2021, shareholder loan balance was \$193,308 (December 31, 2020 - \$762,452), including accrued interest of \$134,384 (December 31, 2020 - \$134,384) recorded in the accounts payable and accrued liabilities. This loan was interest bearing at 9% per annum with a maturity date of March 1, 2021.

As at March 31, 2021, the interest free notes payable on acquisition of INTELLACAR amounted to \$503,000 (December 31, 2020 - \$1,273,200). The promissory notes have a maturity date of March 31, 2021.

As at March 31, 2021, the interest free short-term shareholder loan balances was \$nil (December 31, 2020 - \$795,150 (US\$625,000)).

On July 17, 2019, the Company and a shareholder entered into a Bridge Note agreement of \$2,500,000 due on January 17, 2020 with an interest rate of 9% per annum. As at March 31, 2021, the Company owed \$1,000,000 (December 31, 2020 - \$1,102,701) to the shareholder. On March 9, 2021, the Company and the shareholder entered into a loan agreement for \$2,351,678 due on demand with an interest rate of 2.25% per annum. As at March 31, 2021, the Company owed \$1,962,607 (December 31, 2020 - \$nil)

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 period ended March 31, 2021 and 2020 was as follows:

i.	CEO	\$60,000 (2020 -\$75,000).
ii.	President	\$56,970 (2020- \$60,417).
iii.	Chief Financial Officer	\$37,500 (2020- \$8,085)
iv.	Chief Technology Officer	\$42,768 (2020- \$42,768)
v.	Directors	\$72,287 (2020 - \$61,136).

At March 31, 2021, the total amount payable to key management personnel of the Company amounted to \$76,904 (December 31, 2020 - \$1,451,011) and recorded in Accounts payable and accrued liabilities.

23. FINANCIAL INSTRUMENTS

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

23. FINANCIAL INSTRUMENTS (continued)

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:

	March 31, 2021	December 31, 2020
Current to 30 days past due	\$789,557	\$431,799
Past due (31-60 days)	78,651	43,480
Past due (> 61 days)	887,668	822,146
	<u>\$1,755,876</u>	<u>\$1,297,425</u>

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk 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 by the shareholder when needed. The Company also manages liquidity risk by continuously monitoring actual and budgeted expenses.

At March 31, 2021, all the Company's accounts payable payables and accrued liabilities had contractual terms of less than one year.

	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,598,106	2,598,106	-		
Due to related parties	4,326,816	4,326,816	-		
Lease payments	4,852,062	835,502	1,638,815	1,569,151	808,594
Government assistance	616,438	616,438	-		
	<u>12,393,422</u>	<u>8,376,862</u>	<u>1,638,815</u>	<u>1,569,151</u>	<u>808,594</u>

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

23. FINANCIAL INSTRUMENTS (continued)

Market risk

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

Interest rate risk

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

Currency risk

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

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

Fair value

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

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

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

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

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

24. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and continue to develop and market its software applications. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements. The Company is dependent on financing from shareholders to develop its technology and fund its activities. There were no changes in the Company's approach to capital management during the period ended March 31, 2021.

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

25. LEGAL CLAIMS

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

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

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

Mr. Frunzi's employment was terminated for cause on September 5, 2018. Mr. Frunzi subsequently asserted a claim for breach of his employment agreement. He seeks money damages in the amount of the severance payment specified in his employment agreement, which is an amount comprised of 18 months' base salary, his prior year's bonus, and health insurance premiums for 18 months. He also seeks the value of the profit interest units that vested under his grant agreement before his employment was terminated. In addition to money damages, Mr. Frunzi seeks a declaratory judgment that MUSA breached his employment agreement and an accounting that can be used to determine the value of the profit interest units that vested before the termination. The amount in controversy is about \$427,500, not including the value of any profit interest units claimed by Frunzi. The case was expected to proceed to trial in Dallas County on March 30, 2021, which has been postponed to October 12, 2021. Musa Auto Holdings, LLC brought a counterclaim against Frunzi for breaching his employment agreement because it required that he surrender to us all the company material when he was terminated. He conceded in his deposition that he retained sensitive information. We cannot prove damages to any degree of certainty but have pled for injunctive relief to seek our outside counsel fees.

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

26. SEGMENTED REPORTING

Operating segments are components of an entity that engage in business activities from which they earned revenues and incur expenses the operations for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. During the period ended March 31, 2021 the Chief Financial Officer served in the function of the Chief Operating Decision Maker (CODM). The Chief Financial Officer is responsible for allocating resources and assessing the performance of the following segments: Canadian operations and US operations.

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

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

POWERBAND SOLUTIONS INC.
Notes to the Financial Statements
(Unaudited - Expressed in Canadian dollars)
For the three months ended March 31, 2021 and 2020

26. SEGMENTED REPORTING (continued)

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Vehicle and auction sales	130,891	-	130,891	200,300	-	200,300
Software development sales	371,258	-	371,258	400,952	-	400,952
Lease origination revenue	-	2,224,936	2,224,936	-	14,180	14,180
Subscription revenue	-	162,683	162,683	-	-	-
	502,149	2,387,619	2,889,768	601,252	14,180	615,432

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Operating loss before other income	1,202,732	1,545,577	2,748,309	688,289	1,824,930	2,513,219
Interest in joint venture	-	-	-	244,992	-	244,992
	1,202,732	1,545,577	2,748,309	933,281	1,824,930	2,758,211

	As At March 31, 2021			As At December 31, 2020		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Segment assets	5,464,724	11,178,846	16,643,570	2,888,371	10,950,797	13,839,168
Segment liabilities	4,379,705	7,282,906	11,662,611	6,730,899	6,228,466	12,959,365

27. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2021, the following corporate activities occurred:

1. On April 1, 2021, the Company announced the approval for settlement of outstanding debt of \$1,000,000 owed to the CEO of the Company by issue of 800,000 common shares. This is reported in the financial statements as due to related parties.
2. The Company paid total amount of US\$250,000 pursuant to the share purchase agreement with CB Auto Group Inc. as consideration to acquire 15% interest. The Company has now made total payment of US\$1,500,000 for a total cash consideration of US\$5 million. See (Note 11)
3. On May 4, 2021, the Company announced the approval of two additional US\$1 billion lease lines from two financial Institutions.
4. Subsequent to March 31, 2021 and up to May 25, 2021, the Company received \$713,130 from exercise of stock options and warrants.