

Facedrive Provides Update on Facedrive Foods' Revenue and Expenses

TORONTO--(BUSINESS WIRE)--February 10, 2022--Facedrive Inc. (“**Facedrive**” or the “**Company**”) (TSXV:FD), (OTC:FDVRF), a Canadian “people-and-planet first” tech ecosystem announces that, as part of a comprehensive review of its revenue recognition policies with outside consultants, the Company will be reclassing certain of Facedrive Foods’ related Sales & Marketing expenses so as to offset the expenses directly against Facedrive Foods’ revenue on a net basis rather than report the expenses separately. The Company anticipates offsetting the following amounts against its revenue throughout 2021: \$771,882 in Q1 2021, resulting in revised downwards adjustments for the Company’s sales and marketing expenses and its revenue such that total net revenues for the quarter was \$2,772,834; \$1,005,977 in Q2 2021, resulting in revised downwards adjustments for the Company’s sales and marketing expenses and its revenue such that total net revenues for the quarter was \$4,521,548; and \$559,211 in Q3 2021, resulting in revised downwards adjustments for the Company’s sales and marketing expenses and its revenue such that total net revenues for the quarter was \$7,811,810. The cumulative result of these revisions is that an aggregate of \$2,337,070 has been netted off of revenue (“**Offset Amount**”) for the first 3 quarters of 2021 and the Company’s reported expenses have also been reduced by the exact same amount. Accordingly, the Company’s reclassification of certain sales and marketing expenses in 2021 will not result in any changes to Facedrive’s balance sheets, reported net earnings or losses, and the reclassification is not a result of, and did not result in, any changes to Facedrive’s business, operations or capital.

In December 2021, the Company retained an independent national accounting firm to advise on an internal review of Facedrive Foods’ 2021 sales and marketing expenses with a view to bringing the Company further in line with evolving industry application of accounting standards and practices. Among other things, the Company’s review focused on whether periodic promotions to customers already on its platform – a common practice in the industry – could be treated as an expense or whether, alternatively, they should be recorded as an offset against revenue. The review found that, while some existing reporting standards used by the Company’s peers remain less than clear (particularly as some new-age Fintech industries wrestle with IFRS-15), it was most appropriate for the Company to deduct the Offset Amount against both revenues and expenses throughout 2021 and progress the Company’s accounting processes, controls and data systems with these practices going forward, which it has done. The review also concluded that no similar action was required for any prior reporting period, when the Company’s Foods platform remained in nascent stages of its growth.

The review comes on the heels of large well-known industry incumbents also reviewing and revising their revenue recognition policies within the last year, reflecting an industry-wide movement towards clarifying and refining how conventional accounting and IFRS-15 standards apply to modern gig-economy based technology platforms, particularly in the delivery and logistics space.

“With the gig economy being a relatively new phenomenon, many industry standards and practices remain in the process of being fully understood by industry participants and experts alike. Like other established incumbents in our space, Facedrive is going through the important process of better understanding the progressive reporting and compliance standards specific to revenue recognition for gig-economy based delivery. This is an essential step in our maturation as a new-age ESG logistics and mobility platform,” said Mujir Muneeruddin, Executive Vice President, Chief Legal Officer and Director of Facedrive.

Corrected Disclosure

During the course of the Company’s engagement of an independent national accounting firm to help with a review of Facedrive Foods’ 2021 sales and marketing expenses concurrent with an ongoing Continuous Disclosure Review involving staff of the Corporate Finance Branch of the Ontario Securities Commission (“OSC”) which first commenced in 2020, the Company identified certain entries in originally filed continuous disclosure documents that are subject to revision and is, therefore, implementing an accounting or disclosure change on a retroactive basis (each a “**Corrective Disclosure**”). The Company’s Corrective Disclosures involve adjustments to the reporting of the end-user discounts that were initially recorded as sales & marketing expenses by the Company. These adjustments are described below. The Company will also be preparing and filing

amended and restated interim financial statements and MD&A for Q3 2021 (which will include all of the Corrective Disclosure below) and the Company will also file new separate interim CEO and CFO certificates for Q3 2021 in Form 52-109F2R on the date that it refiles the interim financial report and MD&A. The amended and restated interim financial statements and MD&A for Q3 2021, as well as the new CEO and CFO certificates, are expected to be filed by the Company prior to the end of February 2022.

Restatement of Previously Filed Financial Information for the Quarter ended March 31, 2021

End-user Discounts and Market-wide Promotions

From time to time, the Company's subsidiary, Facedrive Foods, provides discounts to end users. The Company records these discounts as being either net of revenue or as sales and marketing expenses depending on the nature of the promotion.

The Company applies a similar revenue recognition and expense allocation policy as compared to other companies in its peer group. The Company's revenue recognition policies and its policies regarding accounting for end-user incentives and discounts is described in the Company's Q3 2021 MD&A, which can be summarized as follows:

- Targeted end-user discounts and promotions. These are incentives offered by the Company to acquire, re-engage or generally increase end-users use of the platform (akin to a coupon) offered to end users who are not customers. Targeted end-user discounts and promotions are presented as sales and marketing expenses. For example, if an end user engages the Company for a fare or service that typically would cost an end user \$100 and that end user presents or redeems a promotion coupon or promo code for \$10 that was specifically issued by the Company to that specific end user, then the Company will account for \$100 of revenue and \$10 of sales and marketing expenses.
- End-user referrals. These are credits given to existing end-users for referring new end-users to the Company's platform. End-user referrals are accounted for and presented as sales and marketing expenses. For example, if an end user engages the Company for a fare or service that typically would cost the end user \$100 and that end user presents or redeems a promotion coupon or promo code for \$10 that was specifically issued by the Company to that specific end user as a result of the end user making a referral to a friend and the Company gaining a new customer, then the Company will account for \$100 of revenue and \$10 of sales and marketing expenses.
- Market-wide Promotions. These are general discounts offered to the members of the public at large that reduce the end-user's costs. Market-wide promotions are presented net of revenue. For example, if an end user engages the Company for a fare or service that typically costs the end user \$100 and that end user presents or redeems market-wide promotion coupon or promo code for \$10, then the Company will account for \$90 of revenue and \$0 in sales and marketing expenses.

The table immediately below provides information based on Facedrive's historic accounting estimates for incentives and discounts related to Food Hwy:

	Q3 2021	Q2 2021	Q1 2021
Gross transaction size from food delivery and commissions	10,296,020	13,056,838	13,014,764
Less:			
Payout to restaurant merchants & others	(7,666,996)	(9,937,577)	(9,597,463)
Taxes paid	(150,019)	(152,929)	(164,787)
Facedrive Foods' gross revenue generated by food delivery prior to any incentives, discounts or other promotional schemes	2,479,004	2,966,332	3,252,514
Less:			
Market-wide promotions	(611,331)	(469,557)	(652,885)
Facedrive Foods' segmented revenue	1,867,673	2,496,775	2,599,629
Less:			
Targeted end-user type promotions	(876,716)	(1,213,472)	(1,264,175)

Net cash received	990,957	1,283,303	1,335,454
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Subsequently during the past few months, management has worked to collect and data mine additional information about the specific uptake and utilization of the Company's incentives and discounts in order to obtain improved accuracy and statistics regarding the utilization of these programs. Based on the Company's new and improved analysis of the data arrived at with the help of independent consultants regarding the Company's incentives and discounts, the Company has determined that certain discounts previously to have been targeted discounted ought to have been recognized as market-wide promotions. Since these market-wide promotions are to now be presented net of revenue, they no longer appear as an expense, therefore resulting in a dollar-for-dollar corresponding reduction in Facedrive Foods' earlier reported targeted end-user promotion expenses for these quarters. However, there is no change to the Company's net income / loss nor its cash received during these quarters

The figures subject to revision are reflected in the table below. Any figures, tables and disclosures from the Company's previously filed financial statements or MD&A not reflected below are not subject to any revision and can be accurately referenced in the Company's financial statements and MD&A on SEDAR.

	Q3 2021	Q2 2021	Q1 2021
Gross transaction size from food delivery and commissions	10,296,020	13,056,838	13,014,764
Less:			
Payout to restaurant merchants & others	(7,666,996)	(9,937,577)	(9,597,463)
Taxes paid	(150,019)	(152,929)	(164,787)
Facedrive Foods' gross revenue generated by food delivery prior to any incentives, discounts or other promotional schemes	2,479,004	2,966,332	3,252,514
Less:			
Market-wide promotions	(611,331)	(469,557)	(652,885)
Reclassification from Targeted end-user type promotions (this line is main focus this press release)	(559,211)	(1,005,977)	(771,882)
Food Hwy's segmented revenue as included on Facedrive's revised financial statements	1,308,463	1,490,798	1,827,747
Less:			
Targeted end-user type promotions	(317,505)	(207,495)	(492,293)
Net cash received	990,957	1,283,303	1,335,454

The tables below reflect the impact of the Company's revisions on the previously filed financial statements of the Company. Any figures, tables and disclosures from the Company's previously filed financial statements or MD&A not reflected below are not subject to any revision and can be accurately referenced in the Company's financial statements and MD&A on SEDAR.

Consolidated Statement of Loss and Comprehensive loss for the Three Months Ended March 31, 2021

	As previously filed	Restated	Impact
REVENUE	\$ 3,544,716	\$ 2,772,834	\$(771,882)
Cost of revenue	3,370,567	3,370,567	-
General and administration	2,059,249	2,059,249	-
Operational support	2,187,947	2,187,947	-
Research and development	344,435	344,435	-
Sales and marketing	1,629,969	858,087	(771,882)
Amortization	663,690	663,690	-
Depreciation	30,174	30,174	-
Total operating expenses	10,286,031	9,514,149	(771,882)
OPERATING LOSS	(6,741,315)	(6,741,315)	-
Government grants	1,084,882	1,084,882	-
Foreign exchange gain (loss)	(49,390)	(49,390)	-

Interest expenses	(187,285)	(187,285)	-
Interest income	9,632	9,632	-
Gain on lease terminations	5,071	5,071	-
LOSS BEFORE INCOME TAXES	\$ (5,878,405)	(5,878,405)	-
Deferred income tax recovery	248,000	248,000	-
NET LOSS	(5,630,405)	(5,630,405)	-
Cumulative translation adjustment	(34,084)	(34,084)	-
NET LOSS AND COMPREHENSIVE LOSS	(5,664,489)	(5,664,489)	-
Loss per share			
– Basic and diluted	\$ (0.06)	\$ (0.06)	-
Basic and diluted	93,746,852	93,746,852	-

Restatement of Previously Filed Financial Information for the Quarter ended June 30, 2021

As addressed above in the section entitled “End-user Discounts and Market-Wide Promotions”, the Company is making corrective disclosure regarding the previously filed financial information for Q2 2021.

The tables below reflect the impact of the Company’s revisions on the previously filed financial statements of the Company. Any figures, tables and disclosures from the Company’s previously filed financial statements or MD&A not reflected below are not subject to any revision and can be accurately referenced in the company’s financial statements and MD&A on SEDAR.

Consolidated Statement of Loss and Comprehensive loss for the Three Months Ended June 30, 2021

	As previously filed	Restated	Impact
REVENUE	\$ 5,527,525	\$ 4,521,548	\$(1,005,977)
Cost of revenue	5,346,764	5,346,764	-
General and administration	1,679,591	1,679,591	-
Operational support	3,461,044	3,461,044	-
Research and development	465,113	465,113	-
Sales and marketing	1,944,481	938,504	(1,005,977)
Amortization	695,064	695,064	-
Depreciation	92,004	92,004	-
Total operating expenses	13,684,061	12,678,084	(1,005,977)
OPERATING LOSS	(8,156,536)	(8,156,536)	-
OTHER INCOME (EXPENSES)			
Government grants	909,373	909,373	-
Foreign exchange gain (loss)	(110,245)	(110,245)	-
Interest expenses	(193,782)	(193,782)	-
Interest income	9,260	9,260	-
Gain or Loss on Termination	(17,921)	(17,921)	-
LOSS BEFORE INCOME TAXES	\$ (7,559,851)	\$(7,559,851)	\$ -
Deferred income tax recovery	-	-	-
NET LOSS	(7,559,851)	(7,559,851)	-
Cumulative translation adjustment	(39,146)	(39,146)	-
NET LOSS AND COMPREHENSIVE LOSS	(7,598,997)	(7,598,997)	-
Loss per share			
– Basic and diluted	\$ (0.08)	\$ (0.08)	-
Basic and diluted	93,788,556	93,788,556	-

Consolidated Statement of Loss and Comprehensive loss for the Six Months Ended June 30, 2021

	As previously filed	Restated	Impact
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REVENUE	\$	9,072,241	\$	7,294,382	\$(1,777,859)
Cost of revenue		8,717,331		8,717,331	-
General and administration		3,738,840		3,738,840	-
Operational support		5,648,991		5,648,991	-
Research and development		809,548		809,548	-
Sales and marketing		3,574,450		1,796,591	(1,777,859)
Amortization		1,358,754		1,358,754	-
Depreciation		122,178		122,178	-
Total operating expenses		23,970,092		22,192,233	(1,777,859)
OPERATING LOSS		(14,897,851)		(14,897,851)	-
OTHER INCOME (EXPENSES)					
Government grants		1,994,255		1,994,255	-
Foreign exchange gain (loss)		(159,635)		(159,635)	-
Interest expenses		(381,067)		(381,067)	-
Interest income		18,892		18,892	-
Gain or Loss on Termination		(12,850)		(12,850)	-
LOSS BEFORE INCOME TAXES		(13,438,256)		(13,438,256)	-
Deferred income tax recovery		248,000		248,000	-
NET LOSS		(13,190,256)		(13,190,256)	-
Cumulative translation adjustment		(73,230)		(73,230)	-
NET LOSS AND COMPREHENSIVE LOSS		(13,263,486)		(13,263,486)	-
Loss per share					
– Basic and diluted	\$	(0.14)	\$	(0.14)	\$ -
Basic and diluted		94,522,790		94,522,790	-

Restatement of Previously Filed Financial Information for the Quarter ended September 30, 2021

As addressed above in the section entitled “End-user Discounts and Market-Wide Promotions”, the Company is making corrective disclosure regarding the previously filed financial information for Q3 2021.

The tables below reflect the impact of the Company’s revisions on the previously filed financial statements of the Company. Any figures, tables and disclosures from the Company’s previously filed financial statements or MD&A not reflected below are not subject to any revision and can be accurately referenced in the company’s financial statements and MD&A on SEDAR.

Consolidated Statement of Loss and Comprehensive loss for the Three Months Ended September 30, 2021

	As previously filed	Restated	Impact
REVENUE	\$ 8,371,021	\$ 7,811,810	\$(559,211)
Cost of revenue	7,951,732	7,951,732	-
General and administration	1,703,803	1,703,803	-
Operational support	3,255,501	3,255,501	-
Research and development	668,221	668,221	-
Sales and marketing	1,349,476	790,265	(559,211)
Amortization	698,330	698,330	-
Depreciation	96,092	96,092	-
Total operating expenses	15,723,155	15,163,944	(559,211)
OPERATING LOSS	(7,352,134)	(7,352,134)	-
OTHER INCOME (EXPENSES)			
Government grants	1,059,351	1,059,351	-
Foreign exchange gain (loss)	132,491	132,491	-
Interest expenses	(209,232)	(209,232)	-

Interest income	9,596	9,596	-
Gain or Loss on Termination	(12,535)	(12,535)	-
Derecognition of long-term investment	(3,489,916)	(3,489,916)	-
Impairment of intangible assets	(67,803)	(67,803)	-
LOSS BEFORE INCOME TAXES	\$ (9,930,182)	\$ (9,930,182)	\$ -
Deferred income tax recovery	-	-	-
NET LOSS	(9,930,182)	(9,930,182)	-
Cumulative translation adjustment	54,862	54,862	-
NET LOSS AND COMPREHENSIVE LOSS	(9,875,320)	(9,875,320)	-
Loss per share			
– Basic and diluted	\$ (0.10)	\$ (0.10)	\$ -
Basic and diluted	95,318,111	95,318,111	-

Consolidated Statement of Loss and Comprehensive loss for the Nine Months Ended September 30, 2021

	As previously filed	Restated	Impact
REVENUE	\$ 17,443,262	\$ 15,106,192	\$(2,337,070)
Cost of revenue	16,668,168	16,668,168	-
General and administration	5,442,643	5,442,643	-
Operational support	8,905,387	8,905,387	-
Research and development	1,477,769	1,477,769	-
Sales and marketing	4,923,926	2,586,856	(2,337,070)
Amortization	2,057,084	2,057,084	-
Depreciation	218,270	218,270	-
Total operating expenses	39,693,247	37,356,177	(2,337,070)
OPERATING LOSS	(22,249,985)	(22,249,985)	-
OTHER INCOME (EXPENSES)			
Government grants	3,053,606	3,053,606	-
Foreign exchange gain (loss)	(27,144)	(27,144)	-
Interest expenses	(590,299)	(590,299)	-
Interest income	28,488	28,488	-
Gain or Loss on Termination	(25,385)	(25,385)	-
Derecognition of long-term investment	(3,489,916)	(3,489,916)	-
Impairment of intangible assets	(67,803)	(67,803)	-
LOSS BEFORE INCOME TAXES	(23,368,438)	(23,368,438)	-
Deferred income tax recovery	248,000	248,000	-
NET LOSS	(23,120,438)	(23,120,438)	-
Cumulative translation adjustment	(18,368)	(18,368)	-
NET LOSS AND COMPREHENSIVE LOSS	(23,138,806)	(23,138,806)	-
Loss per share			
– Basic and diluted	\$ (0.24)	\$ (0.24)	\$ -
Basic and diluted	94,790,810	94,790,810	-

The information in this press release and in the tables above were provided in accordance with section 11.5 of National Instrument 51-102 - *Continuous Disclosure Obligations*. Shareholders and prospective investors in the Company should refer to and utilize the information in the tables above when considering the financial performance and position of the Company during the first nine months of the year ended December 31, 2021, namely Q1 2021, Q2 2021 and Q3 2021. Due to the revisions that were made as described above, the applicable information in the tables above should be relied upon as compared to the information found in the Company's filings for first nine months of the year ended December 31, 2021, namely Q1 2021, Q2 2021 and Q3 2021. As mentioned above, the Company will be preparing and filing amended and restated interim financial statements and MD&A for Q3 2021 (which will include all of the Corrective Disclosure above) and the Company will also

file new separate interim CEO and CFO certificates for Q3 2021 in Form 52-109F2R on the date that it refiles the interim financial report and MD&A. The amended and restated interim financial statements and MD&A for Q3 2021 as well as the new CEO and CFO certificates are expected to be filed by the Company prior to the end of February 2022.

About Facedrive

Facedrive is a multi-faceted “people-and-planet first” tech ecosystem offering socially-responsible services to local communities with a strong commitment to doing business fairly, equitably and sustainably. As part of this commitment, Facedrive’s vision is to fulfil its mandate through a number of services that either leverage existing technologies of the Company or project synergies with existing lines of business.

Facedrive’s service offerings include its: (i) eco-friendly rideshare business, Facedrive Rideshare; (ii) food delivery service, Facedrive Foods; (iii) electric and hybrid vehicle subscription business, Steer; (iv) contact-tracing and connected health technology services, Facedrive Health; (v) e-commerce platform, Facedrive Marketplace; and (vi) e-social platform, Facedrive Social. Facedrive Rideshare was among the first to offer a wide variety of environmentally and socially responsible solutions in the Transportation as a Service (TaaS) space, planting thousands of trees based on user consumption and offering choices between electric, hybrid and conventional vehicles (including, more recently, electric and hybrid vehicles on a subscription basis through Steer). Facedrive Marketplace offers curated merchandise typically created from sustainably sourced materials and linked to social causes. Facedrive Foods offers contactless delivery of a wide variety of foods right to consumers’ doorsteps, with a focus on doing so in a socially and environmentally-conscious manner. Facedrive Social strives to keep people connected in a physically-distanced world by offering gamification and mutual community support features. Facedrive Health strives to develop and offer innovative technological solutions to the most acute health challenges including its proprietary TraceSCAN wearable technology for contact tracing.

Facedrive envisions changing the ridesharing, food delivery, e-commerce, social and health tech narratives for the better, for everyone, and is currently operational in Canada and the United States.

For more about Facedrive, visit **www.facedrive.com**.

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Forward-Looking Information

Certain information in this press release contains forward-looking information. This information is based on management’s reasonable assumptions and beliefs in light of the information currently available to us and are made as of the date of this press release. Actual results and the timing of events (such as the nature and magnitude of the impact of the Offset Amount on the Company’s financial position and the expected re-filing of the Company’s interim financial statements and MD&A for Q3 2021 prior to the end of February 2022) may differ materially from those anticipated in the forward-looking information as a result of various factors.

Information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements.

See “Forward-Looking Information” and “Risk Factors” in Facedrive’s Annual Management Discussion & Analysis (MD&A) for the year ended December 31, 2020 (filed on SEDAR on April 30, 2021) and its interim MD&A for the period ended March 31, 2021 (filed on SEDAR on May 31, 2021) and June 30, 2021 (filed on SEDAR on August 31, 2021) and September 30, 2021 (filed on SEDAR on November 29, 2021) for a discussion of the uncertainties, risks and assumptions associated with these statements and other risks. Readers are urged to

consider the uncertainties, risks and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. We have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation and regulatory requirements.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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