



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SOLUTION FINANCIAL INC.

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2022 AND 2021
(UNAUDITED- PREPARED BY MANAGEMENT)
(Expressed in Canadian dollars)

Unit 137 - 8680 Cambie Road
Richmond, BC
Canada
V6X 4K1

Solution.Financial

These unaudited interim condensed consolidated financial statements of Solution Financial Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SOLUTION FINANCIAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2022 AND 2021

(Expressed in Canadian dollars)

TABLE OF CONTENTS	PAGE
Financial Statements	
Condensed Consolidated Interim Statements of Financial Position	1
Condensed Consolidated Interim Statements of Comprehensive Income	2
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	3
Condensed Consolidated Interim Statements of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5 - 19

SOLUTION FINANCIAL INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars – Unaudited)

	(Unaudited)	
	July 31, 2022	October 31, 2021
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 156,572	\$ 3,379,614
Accounts receivable	103,261	504,794
Deposits and other current assets (Note 10)	836,783	834,725
Current portion of lease portfolio (Note 7)	2,490,748	323,896
Inventory (Note 6)	666,757	426,431
	4,254,121	5,469,460
Lease portfolio (Note 7 and 8)	24,826,329	27,464,797
Property , equipment and right-of use assets (Note 9)	311,449	358,451
	\$ 29,391,899	\$ 33,292,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 11)	\$ 7,482,300	\$ 9,969,891
Accounts payable and other current liabilities	200,244	347,533
Customers' deposits and advances (Note 12)	450,313	646,515
Convertible debentures (Note 14)	3,037,329	-
	11,170,186	10,963,939
Lease Liabilities	87,080	47,293
Deferred tax liability	1,278,938	1,108,940
Customers' deposits (Note 12)	1,661,550	1,543,825
Deferred revenue (Note 13)	1,548,896	3,097,070
Convertible debentures (Note 14)	-	3,160,821
	15,746,650	19,858,466
Shareholders' equity		
Share capital (Note 15)	9,565,944	9,707,382
Warrants (Note 15)	167,778	167,778
Contributed surplus	285,867	528,303
Equity portion of convertible debentures	125,456	67,296
Retained earnings	3,500,204	2,963,483
	13,645,249	13,434,242
	\$ 29,391,899	\$ 33,292,708

Nature of Business (Note 1)
Subsequent Event (Note 22)

APPROVED ON BEHALF OF THE BOARD

“Bryan Pang ” Director

“Sean Hodgins ” Director

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

SOLUTION FINANCIAL INC.
Condensed Consolidated Interim Statements of Comprehensive Income
(Expressed in Canadian Dollars – Unaudited)

	For 3 months ended July 31, 2022	For 3 months ended July 31, 2021	For 9 months ended July 31, 2022	For 9 months ended July 31, 2021
Lease and brokerage sales				
Vehicle sales (Note 18)	\$ 1,548,030	\$ 4,022,233	\$ 8,282,785	\$ 9,396,085
Leasing income (Note 18)	1,706,667	1,888,773	5,615,120	5,818,741
Brokerage commissions (Note 17)	128,504	317,923	331,401	478,192
Total Sales	3,383,201	6,228,929	14,229,306	15,693,018
Cost of Sales	2,152,735	4,880,116	10,545,156	12,193,933
Gross profit	1,230,466	1,348,813	3,684,150	3,499,085
Expenses				
Sales and marketing (Note 19)	313,698	461,345	1,229,288	1,281,172
General and administration (Note 19)	294,229	280,421	1,076,780	841,136
Interest	157,379	106,781	393,656	349,863
Amortization	14,062	10,201	37,415	29,495
Share based compensation (Note 15)	-	288	-	73,625
	779,368	859,036	2,737,139	2,575,291
	451,098	489,777	947,011	923,794
Other items				
Other income	5,830	2,678	27,087	20,489
Income before tax	456,928	492,455	974,098	944,283
Income taxes	80,000	86,000	170,000	244,000
Net income and comprehensive income for the period	376,928	406,455	804,098	700,283
Basic and diluted earnings per common share	\$ 0.004	\$ 0.005	\$ 0.009	\$ 0.008
Weighted average number of common shares outstanding	88,318,273	86,151,095	88,851,562	83,035,291

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

SOLUTION FINANCIAL INC.

(Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
(Expressed in Canadian Dollars – Unaudited)

	Share capital			Contributed surplus	Equity component of convertible debt	Retained earnings	shareholders' equity
	Issued and outstanding						
	Number	Common shares	Warrants				
	\$	\$	\$	\$	\$	\$	
Balance, October 31, 2020	81,382,231	7,078,073	-	872,622	93,693	2,390,178	10,434,566
Exercise of employees' options	2,560,000	1,036,723	-	(396,723)	-	-	640,000
Issuance of common units (Note 15)	5,936,042	1,636,483	167,778	20,025	-	-	1,824,286
Share based compensation on options	-	-	-	73,626	-	-	73,626
Purchase of common shares for cancellation	(312,000)	(30,624)	-	(98,008)	-	-	(128,632)
Issuance of convertible debt	-	-	-	-	67,296	-	67,296
Net and comprehensive income	-	-	-	-	-	700,283	700,283
Dividend	-	-	-	-	-	(244,186)	(244,186)
Balance, July 31, 2021	89,566,273	9,720,655	167,778	471,542	160,989	2,846,275	13,367,239
Purchase of common shares for cancellation	(122,000)	(13,273)	-	(36,932)	-	-	(50,205)
Maturity of convertible debt	-	-	-	93,693	(93,693)	-	-
Net and comprehensive income	-	-	-	-	-	206,883	206,883
Dividend	-	-	-	-	-	(89,675)	(89,675)
Balance, October 31, 2021	89,444,273	9,707,382	167,778	528,303	67,296	2,963,483	13,434,242
Purchase of common shares for cancellation	(1,300,000)	(141,438)	-	(309,732)	-	-	(451,170)
Maturity of convertible debt	-	-	-	67,296	(67,296)	-	-
Issuance of convertible debt	-	-	-	-	125,456	-	125,456
Net and comprehensive income	-	-	-	-	-	804,098	804,098
Dividend	-	-	-	-	-	(267,377)	(267,377)
Balance, July 31, 2022	88,144,273	9,565,944	167,778	285,867	125,456	3,500,204	13,645,249

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

SOLUTION FINANCIAL INC.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars – Unaudited)

	For 9 months ended July 31, 2022	For 9 months ended July 31, 2021
Operating activities		
Net income	\$ 804,102	\$ 700,283
Items not affecting cash and cash equivalents:		
Amortization of property and equipment	37,415	29,494
Share-based compensation	-	73,626
Accretion expense on convertible debentures	70,479	41,737
Deferred Income taxes	170,000	243,999
Depreciation of property under operating lease	3,244,643	3,799,487
Depreciation of right-of-use assets	43,042	32,207
Change in non-cash working capital		
Trade receivables and due from related company	401,533	(361,231)
Prepayment and deposits	43,735	(168,684)
Inventory	(240,326)	122,227
Car loans receivables	-	6,598
Lease payment receivables	(10,376,315)	(156,532)
Trade and other payables	(56,487)	81,213
Customers' deposits	(78,477)	68,841
Deferred revenue	(1,539,763)	(298,791)
	(7,476,419)	4,214,474
Investing activities		
Acquisition of property and equipment	(33,818)	(43,244)
Acquisition of property under operating lease (net of disposals)	7,603,282	(1,104,671)
Interest payment on lease liabilities	(5,899)	(4,775)
	7,563,565	(1,152,690)
Financing activities		
Proceeds (repayments) from bank indebtedness	(2,487,591)	(4,557,317)
Purchase of common shares for cancellation	(451,170)	(128,632)
Proceeds from convertible debenture financing (net of costs)	(62,615)	493,519
Proceeds from stock option exercises	-	640,000
Proceeds from Short-form prospectus financing (net of financing costs)	-	1,849,591
Payment of lease liabilities	(41,435)	(32,864)
Payment of dividends	(267,377)	(244,186)
	(3,310,188)	(1,979,889)
Net increase (decrease) in cash and cash equivalents	(3,223,042)	1,081,895
Cash and cash equivalents, beginning of period	3,379,614	2,526,379
Cash and cash equivalents, end of period	\$ 156,572	\$ 3,608,274

SOLUTION FINANCIAL INC.

**Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)**

1. Nature of Business and Share Exchange Agreement

Solution Financial Inc. (the “Company” or “Solution”), provides sourcing and leasing solutions for luxury and ultra-luxury vehicles, yachts and other high value assets in Canada.

The Company’s registered and records office is Unit 137, 8680 Cambie Road, Richmond, British Columbia, Canada, V6X 4K1. The Company’s shares trade on the Toronto Stock Exchange (the “TSX”) under the trading symbol “SFI”.

2. Basis of Presentation and Statement of Compliance

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and these unaudited interim condensed financial statements should be read in conjunction with the Company’s audited financial statements for the year ended October 31, 2021.

Functional and Presentation Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. From inception, the functional currency of the Company has been the Canadian dollar. This is also the presentation currency of the Company.

These financial statements were approved by the Company’s Board of Directors and authorized for issue on September 13, 2022.

SOLUTION FINANCIAL INC.

**Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)**

3. Critical Accounting Estimates and Use of Judgement

The preparation of these condensed interim financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas of financial reporting that require management's estimates and judgments are discussed below.

Significant estimates used in the preparation of these financial statements include the following:

Covid-19 estimation uncertainty

During the three and nine months ended July 31, 2022, the global financial markets were negatively impacted by the novel Coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization on March 11, 2020. This has led to significant global economic uncertainty, and the current outbreak of COVID-19 could have a material adverse effect on the Company's operations and the operations of the Company's suppliers and customers. The Company has taken what it believes to be appropriate safety precautions at its operations to safeguard the health of its employees and there have been no outbreaks to date at any of the Company's locations. The extent to which COVID-19 impacts the Company's operations will depend on future developments, which continue to be highly uncertain and cannot be predicted with confidence. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

Determination of the Company's allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, current economic trends, the expected residual value of leased assets and past experience.

Valuation of inventory

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis for new and used vehicles. In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory. The determination of net realizable value for inventories involves the use of estimates.

Valuation of underlying residual values of leased assets

The Company has significant investments in leased vehicles recorded as operating leases, which relate to vehicle leases. At the beginning of the lease contract a determination is made of the estimated realizable value of the vehicle at the end of the lease term, which is the critical assumption underlying the estimated carrying value of leased assets. The estimated realizable value is based on the lower of the contracted residual value or the current market estimate of residual value based on independent lease guides. Since the customer is not obligated to purchase the vehicle at the end of the contract, the Company is exposed to a risk of loss to the extent the value of the vehicle at the end of the lease term is below the residual value estimated at contract inception. Over the life of the lease

SOLUTION FINANCIAL INC.

**Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)**

3. Critical Accounting Estimates and Use of Judgement (continued)

the Company evaluates the adequacy of the estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Adjustments could result in a change in the depreciation rate of the leased asset or if an impairment exists, an impairment charge.

Useful lives of equipment

The Company's capitalized property and equipment balances are determined in part through the use of estimates of the useful lives of the underlying assets. In developing their accounting policy for property and equipment, the Company makes estimates of these useful lives. Changes in useful lives of property and equipment may result in adjustments to these capitalized balances in future periods if there are signs that estimates may no longer be accurate.

Income taxes

The determination of current tax expense requires estimates and assumptions. Furthermore the Company's estimates of its deferred income tax assets and liabilities require subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these estimates and assumptions could materially affect the recorded amounts.

Significant judgements made as part of the preparation of these financial statements include the following:

Determination of lease type

On entering lease arrangements, the Company assesses whether the lease is a finance lease or an operating lease. As part of this determination, the Company makes a number of estimates associated with the lease, the customer, and the fair value of the underlying assets. The accounting for an operating lease is significantly different from that of a finance lease. As such, this determination has a significant impact on the way the leased assets are presented within the Company's financial statements.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based compensation expense and the fair value of agent warrants. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)

3. Critical Accounting Estimates and Use of Judgement (continued)

Share Capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Deferred financing costs incurred in connection with the issuance of common shares are capitalized until the financing is completed. In the event that the financing is not completed, these costs are expensed to profit or loss. Proceeds that are received in advance of the completion of an issuance of common shares are recorded within equity as subscriptions received in advance.

Earnings per Share

Basic earnings per share ("EPS") is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

4. Financial Instruments and Risk Management

Fair value

The Company's financial instruments recognized on the statements of financial position consist of cash, term deposits, accounts receivable, due from related company, car loans receivable, receivable under finance lease, bank indebtedness, accounts payable and accrued liabilities, customers' advances, customers' deposits, due to shareholder, convertible debentures and short-term loans payable. The fair values of the Company's short term financial instruments approximate their carrying values due to their short-term maturity. The fair values of the Company's long term financial assets and liabilities approximate their carrying values based on market interest rates. The Company has classified financial instruments as follows:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Due from related company	Loans and receivables	Amortized cost
Car loan receivable	Loans and receivables	Amortized cost
Lease receivables	Loans and receivables	Amortized cost
Financial liabilities:		
Bank indebtedness	Financial liabilities	Amortized cost
Accounts payable accrued liabilities	Financial liabilities	Amortized cost
Customers' advances	Financial liabilities	Amortized cost
Customers' deposits	Financial liabilities	Amortized cost
Convertible debentures	Financial liabilities	Amortized cost

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)

4. Financial Instruments and Risk Management (continued)

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at July 31, 2022 and October 31, 2021:

	July 31, 2022		
	Level 1	Level 2	Level 3
Cash	\$ 144,134	\$ -	\$ -
Cash equivalents	\$ 12,438	\$ -	\$ -
Total	\$ 156,572	\$ -	\$ -

	October 31, 2021		
	Level 1	Level 2	Level 3
Cash	\$ 3,367,214	\$ -	\$ -
Cash equivalents	\$ 12,400	\$ -	\$ -
Total	\$ 3,379,614	\$ -	\$ -

(Level 1) – Based on quoted market prices in active markets.

(Level 2) – Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.

(Level 3) – Unobservable inputs that are not corroborated by market data.

The Company's cash equivalents consist of term deposits maturing within the next year.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, liquidity, and price risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary. The fair values of the Company's financial assets and liabilities held at amortized cost approximates their book values.

Covid-19 risk

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

Credit risk

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

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company's financial instruments that are exposed to concentrations of interest rate risk consist of bank indebtedness and short-term loans. A change in the prime rate of interest of 1% would result in additional interest expense for the Company of \$74,823 per year.

SOLUTION FINANCIAL INC.

**Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)**

4. Financial Instruments and Risk Management (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. The Company currently settles all of its financial obligations out of cash generated from operations. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. To help manage its liquidity the Company has obtained an operating loan agreement through a major schedule 1 Canadian Financial Institution (Note 11).

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices, which may affect financing options available to the Company.

5. New Accounting Standards and Interpretations Adopted

There have been no new accounting standards or interpretations adopted during the three and nine months ended July 31, 2022.

6. Inventory

Inventory at July 31, 2022 and October 31, 2021 consist of vehicles held for sale. The inventory is carried at the lower of cost or net realizable value and as at July 31, 2022 and October 31, 2021, the Company has not recorded any reserves for inventory write downs.

7. Receivable under finance lease

Finance lease receivables consist of conditional sales contracts, which have terms of 12 to 60 months with fixed rates of interest. All lease receivables are secured by the corresponding vehicle. As a result of the adoption of IFRS9 Financial Instruments, the Company records a provision for expected credit losses for receivables under finance lease. Using the expected credit loss model these receivables under finance lease were classified as Stage 1 'performing' at both July 31, 2022 and October 31, 2021.

The contractual maturity of the portfolio outstanding of continuing operations as at July 31, 2022 and October 31, 2021, assuming no prepayments, is as follows:

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

	31-Jul-22			31-Oct-21		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	\$	\$	\$	\$	\$	\$
Maturity						
Within 1 year	3,688,289	(1,197,541)	2,490,748	464,287	(140,391)	323,896
In 1 to 3 years	9,612,174	(1,147,575)	8,464,599	654,158	(171,557)	482,601
After 3 years	794,079	(67,981)	726,098	579,477	(80,848)	498,629
	14,094,542	(2,413,097)	11,681,445	1,697,922	(392,796)	1,305,126

Included in the above table, the residual interest of assets as at July 31, 2022 are \$7,976,650 (October 31, 2021 - \$198,250). As of July 31, 2022, the Company has recognized \$6,423,940 (October 31, 2021 - \$125,862). This recognized portion is included in the net receivable column in the above table of the amounts receivable under finance lease.

The Company has a history with limited payment defaults or credit losses. The lease agreements include security deposits and the Company has a history of releasing or selling vehicles repossessed without taking any losses. As such, the Company has no provisions for credit losses.

8. Property under operating leases

The Company acts as a lessor in connection with operating leases and recognizes the leased assets in its statements of financial position. The lease payments received, are recognized in net income as rental revenue

	For the nine months and year ended	
	31-Jul-22	31-Oct-21
	\$	\$
COST		
At the beginning of the period	32,779,052	30,597,439
Additions	-	17,509,053
Disposals	(11,986,746)	(15,327,440)
At the the end of the period	20,792,306	32,779,052
ACCUMULATED DEPRECIATION		
At the beginning of the period	6,295,485	6,074,299
Depreciation charge for the period	3,244,645	5,081,474
Disposals	(4,383,464)	(4,860,288)
At the the end of the period	5,156,666	6,295,485
Net carrying amount	15,635,640	26,483,567

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

Below are the future minimum lease payments arising from non-cancellable operating leases of continuing operations:

	<u>31-Jul-22</u>	<u>31-Oct-21</u>
Within 1 year	2,971,655	4,953,547
In 1 to 3 years	1,902,663	4,770,095
After 3 years	120,833	407,630
	<u>\$ 4,995,151</u>	<u>\$ 10,131,272</u>

9. Property and equipment

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Leasehold Improvements	Total
Cost							
Balance, October 31, 2020	\$ 161,883	\$ 94,025	\$ 126,465	\$ 10,743	\$ 77,348	\$ -	\$ 470,464
Additions			11,199	2,385	12,110	17,550	43,244
Balance, July 31, 2021	<u>\$ 161,883</u>	<u>\$ 94,025</u>	<u>\$ 137,664</u>	<u>\$ 13,128</u>	<u>\$ 89,458</u>	<u>\$ 17,550</u>	<u>\$ 513,708</u>
Accumulated Amortization							
Balance, October 31, 2020	\$ -	\$ 41,652	\$ 81,703	\$ 8,167	\$ 34,103	\$ -	\$ 165,625
Additions	-	1,571	7,554	1,555	16,183	2,632	29,495
Balance, July 31, 2021	<u>\$ -</u>	<u>\$ 43,223</u>	<u>\$ 89,257</u>	<u>\$ 9,722</u>	<u>\$ 50,286</u>	<u>\$ 2,632</u>	<u>\$ 195,120</u>
Net Book Value							
Balance, July 31, 2021	<u>\$ 161,883</u>	<u>\$ 50,802</u>	<u>\$ 48,407</u>	<u>\$ 3,406</u>	<u>\$ 39,172</u>	<u>\$ 14,918</u>	<u>\$ 318,588</u>

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Leasehold Improvements	Total
Cost							
Balance, October 31, 2021	\$ 161,883	\$ 94,025	\$ 137,664	\$ 14,925	\$ 97,157	\$ 17,550	\$ 523,204
Additions	-	-	-	5,520	28,298	-	33,817
Balance, July 31, 2022	<u>\$ 161,883</u>	<u>\$ 94,025</u>	<u>\$ 137,664</u>	<u>\$ 20,444</u>	<u>\$ 125,455</u>	<u>\$ 17,550</u>	<u>\$ 557,021</u>
Accumulated Amortization							
Balance, October 31, 2021	\$ -	\$ 43,747	\$ 91,775	\$ 10,734	\$ 58,392	\$ 3,510	\$ 208,158
Additions	-	1,508	6,884	2,867	23,523	2,633	37,415
Balance, July 31, 2022	<u>\$ -</u>	<u>\$ 45,255</u>	<u>\$ 98,659</u>	<u>\$ 13,601</u>	<u>\$ 81,915</u>	<u>\$ 6,143</u>	<u>\$ 245,572</u>
Net Book Value							
Balance, July 31, 2022	<u>\$ 161,883</u>	<u>\$ 48,770</u>	<u>\$ 39,005</u>	<u>\$ 6,843</u>	<u>\$ 43,540</u>	<u>\$ 11,408</u>	<u>\$ 311,449</u>

10. Related party transactions

The Company uses an office leased by Solution Lease Club, a Company controlled by the CEO of the Company for administration and promotional purposes. Solution Lease Club's office is at Unit 6, 11220 Voyageur Way, Richmond. The Company pays Solution Lease Club a \$300 fee for each sales and lease transaction for property usage. During the three and nine months ended July 31, 2022, the Company paid \$23,100 and \$65,200 to Solution Lease Club (2021- \$15,775 and \$41,650).

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

During the three and nine months ended July 31, 2022, remuneration of directors and other members of key management personnel are \$120,508 and \$350,337 (2021 – \$187,246 and \$369,095).

During the three and nine months ended July 31, 2022, the Company paid \$53,681 to a law firm where a partner is a director of the Company (2021 – \$49,954 and \$55,809).

Included in deposits and other current assets is a loan of \$600,000 made to Bryan Pang, Director and CEO of the Company. The Company entered into a loan agreement with Bryan Pang on October 15, 2021 for a period of 364 days at an interest rate of 3.7%, and the loan is secured by a pledge of 2,600,000 common shares of the Company held by Mr. Pang.

11. Bank indebtedness

On September 21, 2020, the Company amended its Credit Loan Facility with an \$2,500,000 increase to \$12,500,000. The Credit Loan Facility bears interest at prime plus 1.20% per annum.

The loan agreement allows the Company to draw on funds as needed and is secured by a personal guarantee of the Company's CEO and certain assets of the Company.

As at July 31, 2022, the total outstanding balance on the loan agreement is \$7,482,300 (October 31, 2021 - \$9,969,891). As part of the bank covenants, the Company is required to maintain a cash flow coverage ratio of not less than 1.25:1 and a debt to tangible net worth ratio not greater than 2.25:1.

12. Customers' deposits

Customers' deposits are refundable security deposits received by the Company at lease inception. They are applied to the residual balance if a buyout option is exercised or will be refunded at the maturity of the lease upon return of the vehicle. As at July 31, 2022, the Company has deposits of \$445,550 on leases coming due in the next year (October 31, 2021 - \$589,000) and \$1,661,550 deposits coming due in more than a year (October 31, 2021 - \$1,543,825).

Balance, October 31, 2020	\$	2,110,875
Additions		342,550
Refunds		(413,800)
Balance, July 31, 2021	\$	2,039,625
Additions		738,000
Refunds		(644,800)
Balance, October 31, 2021	\$	2,132,825
Additions		800,000
Refunds		(825,725)
Balance, July 31, 2022	\$	2,107,100

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

13. Deferred revenue

Deferred revenue are lease down payments received by the Company at lease inception. They are recognized as rental income on a straight-line basis over the terms of the lease. In case of pre-mature termination, any balance of the unrealized down payment will be recognized at the same time.

14. Convertible Debenture

On July 28, 2022, the Company closed a non-brokered financing of unsecured convertible debentures ("July 28, 2022 Debentures") with a principal amount of \$3,175,400. The convertible debenture financing consisted entirely of the reinvestment of the March 8, 2021 Debentures set to mature in March 8, 2023.

The July 28, 2022 Debentures will mature on July 28, 2024 ("Maturity Date") and bear interest at a rate of 5.0% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be convertible into common shares in the capital of the Company ("Shares"), in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of \$0.38 per Common Share.

On issuance, the Company recognized the fair value of the liability component of \$3,037,329 based on the terms of the Debentures and a discount rate of 7.42%. The residual amount of \$125,456 was allocated to the equity portion.

Balance, October 31, 2020	2,686,146
Repayment of convertible debts	(2,705,000)
Issuance of convertible debts	3,131,223
Accretion included in interest expense	36,962
Balance, July 31, 2021	3,149,331
Accretion included in interest expense	11,490
Balance, October 31, 2021	3,160,821
Repayment of convertible debts	(3,225,400)
Issuance of convertible debts	3,037,329
Accretion included in interest expense	64,579
Balance, July 31, 2022	3,037,329

15. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the nine months ended July 31, 2022 the Company completed the following transaction:

SOLUTION FINANCIAL INC.

**Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)**

15. Share Capital (continued)

- (i) The Company paid dividends of \$267,377 or \$0.003 per share.
- (ii) The Company purchased and cancelled 1,300,000 of its common shares on the open market at an average price of \$0.34 for total cost of \$447,865, pursuant to a normal course issuer bid (the "NCIB").

During the nine months ended July 31, 2021 the Company completed the following transactions:

- (i) The Company issued 2,560,000 common shares for cash proceeds of \$640,000 pursuant to the exercise of employees' options.
- (ii) On June 4, 2021, the Company completed a "Short-form Prospectus Offering" pursuant to which the Company issued 5,936,042 units at a price of \$0.40 per unit for gross proceeds of \$2,374,417. Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.50 until June 4, 2022. The Company valued the warrants at \$167,778 using the relative value method.

The Company paid cash commissions of \$89,080 and issued 167,025 broker warrants valued at \$20,025. Each broker warrant is exercisable into one common share at an exercise price of \$0.40 until June 4, 2022. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.46%; an expected volatility of 53.7%; an expected life of one year; a forfeiture rate of zero; and an expected dividend of zero. The Company also incurred cash share issue costs of \$435,746.

- (iii) The Company purchased and cancelled 312,000 of its common shares on the open market at an average price of \$0.41 for total cost of \$127,240, pursuant to a Normal Course Issuer Bid (the "NCIB").
- (iv) The Company paid dividends of \$244,187 or \$0.003 per share.

Stock options and warrants

The Company follows the policies of the TSX under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price, or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of three years and vest at the discretion of the Board of Directors.

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 31, 2022 and 2021
(Expressed in Canadian dollars- Unaudited)

15. Share Capital (continued)

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, October 31, 2020	4,596,000	\$ 0.26
Granted-Employees' options	350,000	\$ 0.40
Exercised-Employees' options	(2,560,000)	\$ 0.25
Granted-Agents' options	167,025	\$ 0.40
Expired- Employees' options	(1,786,000)	\$ 0.25
Outstanding, July 31, 2021 and October 31, 2021	767,025	\$ 0.39
Expired- Agents' options	(167,025)	\$ 0.40
Outstanding, July 31, 2022	600,000	\$ 0.39
Exercisable, July 31, 2022	600,000	\$ 0.39

There were no stock option activities during the nine months ended July 31, 2022.

Stock option activities during the nine months ended July 31, 2021:

- (i) The Company issued 2,560,000 common shares for cash proceeds of \$640,000 pursuant to the exercise of employee stock options.
- (ii) The Company granted 167,025 agents' options pursuant to the public offering. Each agent option is exercisable into one common share at an exercise price of \$0.40 until June 4, 2022.
- (iii) The Company granted an aggregate of 350,000 fully vested stock options to a member of the Board of Directors, each option being exercisable into one common share at a price of \$0.40 per share.

Warrant transactions are summarized as follows:

	Warrants	
	Number	Weighted Average Exercise Price
Outstanding, October 31, 2020	-	\$ -
Warrants issued	2,968,021	\$ 0.50
Outstanding, July 31, 2021 and October 31, 2021	2,968,021	\$ 0.50
Expired- Warrants	(2,968,021)	\$ 0.50
Outstanding, July 31, 2022	-	\$ -
Exercisable, July 31, 2022	-	\$ -

There were no warrant activities during the three months ended July 31, 2022 and 2021.

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

As at July 31, 2022, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted average period
Options	November 6, 2022	250,000	\$ 0.38	0.3 years
	November 16, 2022	350,000	\$ 0.40	0.3 years
		600,000	\$ 0.39	0.3 years

Share-based compensation

During the nine months' period ended July 31, 2022, the company recorded \$nil (2021- \$73,625) as share-based compensation for options granted to directors, officers, and employees.

The Company applies the fair value method in accounting for its stock options at the time of grant using the Black-Scholes option pricing model using the following estimates: expected dividend yield of 0%; risk-free interest rate of 0.60-1.10%; expected life of 2-3 years; common share price of \$0.25-\$0.40; and expected volatility of 50%-100%. Volatility is based on a range of comparable companies operating in the same industry, adjusted for the Company's limited history.

16. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

For the nine months ended July 31,	2022	2021
Net income available to common shareholders for basic and diluted earnings per share	\$ 804,098	\$ 700,283
Weighted average number of common share outstanding - basic	88,851,562	82,957,872
Effect of dilutive securities - share-based payments	-	77,419
Weighted average number of common shares outstanding- diluted	88,851,562	83,035,291
Earnings per share - reported:		
Basic	\$ 0.009	\$ 0.008
Diluted	\$ 0.009	\$ 0.008

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

17. Brokerage Commissions

The gross sales through third-party dealerships were:

	For 3 months ended July 31, 2022	For 3 months ended July 31, 2021	For 9 months ended July 31, 2022	For 9 months ended July 31, 2021
Brokerage lease	\$ -	\$ 7,484	\$ -	\$ 13,123
Cost of brokerage lease	-	-	-	-
	<u>-</u>	<u>7,484</u>	<u>-</u>	<u>13,123</u>
Brokerage sale	1,022,500	2,006,229	3,561,275	7,349,611
Cost of brokerage sale	(893,996)	(1,695,790)	(3,229,874)	(6,884,542)
	<u>128,504</u>	<u>310,439</u>	<u>331,402</u>	<u>465,069</u>
Total brokerage commissions	\$ 128,504	\$ 317,923	\$ 331,402	\$ 478,192

18. Sales by Nature

Sales include the following major sales by nature:

	For 3 months ended July 31, 2022	For 3 months ended July 31, 2021	For 9 months ended July 31, 2022	For 9 months ended July 31, 2021
Vehicle sales	\$ 1,158,870	\$ 3,683,808	\$ 7,386,634	\$ 8,923,736
Finance lease vehicle sales	<u>389,160</u>	<u>338,425</u>	<u>896,151</u>	<u>472,349</u>
Vehicle Sales	<u>1,548,030</u>	<u>4,022,233</u>	<u>8,282,785</u>	<u>9,396,085</u>
Interest and administrative income	721,243	554,813	2,046,864	1,734,107
Rental revenue	920,530	1,267,821	3,370,257	3,931,644
Registration fees	<u>64,894</u>	<u>66,139</u>	<u>197,999</u>	<u>152,990</u>
Leasing Income	<u>1,706,667</u>	<u>1,888,773</u>	<u>5,615,120</u>	<u>5,818,741</u>
Total	\$ <u>3,254,697</u>	\$ 5,911,006	\$ <u>13,897,905</u>	\$ 15,214,826

19. Expense by Nature

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

	For 3 months ended July 31, 2022	For 3 months ended July 31, 2021	For 9 months ended July 31, 2022	For 9 months ended July 31, 2021
Advertising and promotion	\$ 22,015	\$ 50,759	\$ 62,860	\$ 106,144
Commissions	257,743	386,963	1,070,178	1,105,844
Marketing	26,737	18,022	76,463	55,465
Meals and entertainment	<u>7,202</u>	<u>5,601</u>	<u>19,786</u>	<u>13,719</u>
Total	\$ <u>313,698</u>	\$ 461,345	\$ <u>1,229,288</u>	\$ 1,281,173

SOLUTION FINANCIAL INC.

Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended July 31, 2022 and 2021 (Expressed in Canadian dollars- Unaudited)

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

	For 3 months ended July 31, 2022	For 3 months ended July 31, 2021	For 9 months ended July 31, 2022	For 9 months ended July 31, 2021
Accounting and legal	\$ 39,668	\$ 43,120	\$ 222,656	\$ 195,870
Consulting fees	11,328	16,149	42,578	34,185
Regulatory and transfer agent	59,480	43,094	247,792	137,571
Insurance	13,587	11,859	37,235	31,732
License and permit	1,223	1,828	5,267	6,146
Office and miscellaneous	40,673	44,992	130,097	108,013
Repairs and maintenance	650	750	1,950	2,000
Salaries and wages	127,621	118,629	389,205	325,619
Total	\$ 294,229	\$ 280,421	\$ 1,076,780	\$ 841,136

20. Capital Management

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments). The Company is subject to certain externally imposed capital requirements as described in Note 11. The Company did not change its capital management strategy in the nine months ended July 31, 2022.

21. Segmented Information

The Company operates in one business segment being retail sales, leases, and financing for high-end automotive vehicles, boats, and commercial equipment and out of three locations being Richmond, BC, Calgary, AB and Vaughan, ON.

22. Subsequent Events

On September 9, 2022, the Company closed a \$15 million credit facility with ATB Financial ("ATB"). This facility is replacing the existing \$12.5 million. The \$15 million secured line of credit bears interest at prime plus 1.5% per annum (current total interest of 6.95%) and will all be used initially to replace the Company's existing credit facility amounting to approximately \$8.3 million.