

E Automotive Inc.

Management's Discussion and Analysis

For the years ended December 31, 2023 and 2022

Expressed in thousands of US dollars

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Basis of Presentation

This management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies and performance of E Automotive Inc. d/b/a E Inc. (the "Company", "E INC.", "we", "us", or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the financial condition and results of operations of the Company for the fourth quarter, as at December 31, 2023 and for the years ended December 31, 2023 and 2022. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2023 and 2022, along with the related notes thereto.

The financial information that is presented in this MD&A is derived from the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2023 and 2022 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All references to "prior period" in this MD&A mean to the same period in the previous year.

E INC's functional currency is Canadian dollars. However, as the Company operates in multiple jurisdictions, it has chosen US dollars as its presentation currency. As such, all amounts below are presented in US dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

On April 10, 2023, the Company announced that its board of directors ("Board"), shareholders and the Toronto Stock Exchange ("TSX") had approved a voluntary de-listing of the Company's common shares from the TSX (collectively, the "De-Listing Transaction"). Notwithstanding the De-Listing Transaction, the Company remains a "reporting issuer" under applicable Canadian securities laws, which means that the shares of the Company that are currently freely tradeable in Canada continue to be freely tradeable in Canada, and the Company will continue to make continuous and timely disclosure documents as required by applicable Canadian securities laws until it is no longer required to do so.

Additional information about the Company is available under our profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

This MD&A is dated April 5, 2024.

Forward Looking Statements

This MD&A contains certain information and statements that may be deemed forward looking information and/or forward looking statements (collectively "forward looking statements") within the meaning of applicable securities laws, including statements regarding developments in the Company's operations in future periods, adequacy of financial resources, the De-Listing Transaction, the Offer (as defined herein), its plan to optimize costs, anticipated cost savings, expectations regarding future profitability, and future plans and objectives of the Company.

Forward looking statements are necessarily based on a number of opinions, estimates, anticipated results and assumptions that we considered appropriate and reasonable as of the date such statements were made, including that the macro environment and other factors affecting the Company's business will normalize in the near term, and that other challenges won't arise. While these assumptions are considered by the Company to be appropriate and reasonable as of the date of this MD&A, they are

subject to known and unknown risks, uncertainties, and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. These risks include but are not limited to: risks relating to employee retention; the risk that legal proceedings may be instituted against E INC; risks related to the diversion of management's attention from E INC's ongoing business operations; the risk that anticipated costs savings won't materialize as expected or other costs will arise; and those risks discussed under the "Risk Factors" section of our annual information form ("AIF") dated March 7, 2023, which is available under our profile on SEDAR at www.sedar.com. If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Forward looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as "anticipate," "expect," "believe," "could," "estimate," "intend," "may," "plan," "potential," "should," "will," "would," and similar words, phrases or expressions and variations or negatives of these words in this MD&A. We have based these forward-looking statements on our current views with respect to future events and financial performance.

Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, after the date of this MD&A, except to the extent required by applicable securities laws. There can be no assurance that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements, which speak only to the Company's position as of the date such statements are made.

All the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

Overview

At E INC, our mission is to relentlessly refine the online vehicle buying, selling and management experience for automotive dealerships ("dealers"). We bring efficiency, transparency, liquidity and inventory selection and management to dealers through our competitive digital platform (our "Platform"). Our Platform provides dealers with access to an online wholesale auction marketplace where they can purchase from or sell vehicles to other dealers, as well as gain access to state of the art software solutions to support dealers' digital retailing and inventory management.

Through our Platform, we aim to solve inefficiencies and poor customer experiences that have plagued the automotive industry for decades by providing modern technology to our dealers, who each serve a vital role in the automotive ecosystem. We help dealers source, dispose, advertise and price vehicle inventory, as well as transfer titles, process payments, resolve arbitrations, perform vehicle inspections, and transport vehicles.

Our Platform currently encompasses:

- **Digital Wholesale Marketplace**. Our Platform provides dealers with access to our leading digital marketplace, which includes online wholesale vehicle auctions where buyers connect with sellers in a transparent, efficient and timely manner. Our hosted online auctions simulate the urgency of live auctions in a completely digital format by operating in real time. Digital wholesale transactions

are facilitated instantly on our Platform, which is accessible across multiple end-user platforms including mobile apps, desktop computers, and through API integration.

- **Digital Retailing Features**. Our Platform enables dealers to track vehicle inventory and make inventory available in their digital showroom, on their website, and through other third party consumer-facing online properties. Also, our Platform assists dealers with lead management and other consumer-facing activity that ultimately helps facilitate the sale of used vehicles.

We complement access to our Platform with ancillary service offerings designed to assist dealers with supplementary auction-related needs, including driving consumer traffic to their digital properties and optimizing other business processes.

Our main area of focus is the wholesale automotive market, which is a critical channel for used vehicle inventory management. Despite digital transformations taking place globally in other industries, the wholesale automotive market has been slower to adopt technology. The market is fragmented and continues to operate in a traditional in-person format, which compared to new virtual environments has opportunities for greater efficiency, lower costs and risk reduction through the adoption of technology. In contrast, our Platform and ancillary service offerings complement the entire transaction journey from the point a vehicle enters a dealer's parking lot at the time of appraisal through the ultimate sale and delivery of the vehicle to its new owner. We offer a low cost and efficient option, with more transparency and less risk, including pricing risk, greater reach and exposure, and better inventory management that allows for complete dealer control. Better inventory management allows for efficient sales, increases in profitability and less time wasted. We also offer pre-auction services such as detailed condition reports, a recommendation engine and pricing tools and support post-auction operations, such as title transfer, payment processing, arbitration and transportation services. With the launch of LiveLanes™, our Platform is the first and only in the industry to combine digital and physical inventory in one, creating a single marketplace bringing land and technology together. Over the years, we have collected a significant amount of dealer, transaction, vehicle and other data through our Platform. This data has enabled us to improve our product and service offerings, drive personalized recommendations and empower our dealers to make data-driven decisions.

Our marketplace has achieved significant scale, as measured by the number of wholesale transactions taking place on our Platform annually. Our scale helps purchasing dealers achieve greater inventory selection and efficiency, as well as greater liquidity for sellers. This results in a superior Platform experience for dealers, which has a reinforcing effect driving increased use and engagement with the Platform from our existing dealers and encouraging new dealers to adopt our technology. Our scale also allows us to continually collect significant volumes of data, which allows us to improve our Platform's efficiency and make more data-driven decisions in enhancing our existing offering and launching new offerings. Lastly, our scale drives better financial outcomes, including greater profitability through operating leverage.

To complement our Platform, we also serve customers from our four physical auction facilities in North America. These facilities have been developed and are strategically located to bring together sellers and buyers and allow them to transact vehicles in person or remotely via simulcast. Our facilities also provide value-added ancillary services including import services, inbound and outbound transportation, reconditioning, post-sale inspection and title services.

Industry Trends

Our success depends in part on sufficient supply and demand for used vehicles. Over the past several years consumer demand for used vehicles has been strong. In addition, supply has been impacted by macroeconomic factors such as disruptions in supply chains, semiconductor chip shortages, inflation-driven price increases and wildfires in Western Canada. As a result of these shortages and other macroeconomic factors, prices for used vehicles continue to remain high compared to pre-pandemic

years. In addition, Scotiabank reported that new vehicle production in 2023 in Canada was forecasted to be approximately 19% behind the US market in its post pandemic recovery. This has significantly impacted available inventory in Canada and this in combination with elevated vehicle prices and higher auto loan rates due to interest rate rises has impacted sales on our Platform.

In spite of reduced inventory and demand throughout the first half of 2023 as compared to the prior period, there are signs of improvement, especially in the US market. According to CarGuru's *Intelligence Report December 2023* ("Intelligence Report"), the CarGuru's Demand Index is up 4.2% on a year-over-year basis. In addition, used car average days on the market was down 5.5% on a year over year basis as of December 31, 2023 according to the Intelligence Report. Used vehicle prices, which moderated in late 2022 and steadily decreased into 2023, were down 3.2% year over year at December 31, 2023. In Canada, seasonally adjusted new auto sales increased 5.6% on a quarter over quarter basis according to Scotiabank's *December Auto Sales: A Year of Recovery*.

Based on these trends, our Platform remains a key opportunity for dealers to manage their inventory despite low numbers of vehicles on their lots and macroeconomic headwinds, especially in the Canadian market.

Key Performance Indicators

Management uses a number of operating and financial metrics, including the ones identified below, to measure current performance, customer trends and estimate future performance. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Vehicles Transacted

Vehicles Transacted is a key indicator of our potential for growth in GTV (as defined herein) and revenue. It demonstrates the output of our customers' engagement on the wholesale marketplace, the vibrancy of our marketplace and our market share of wholesale transactions in Canada and the United States. We define Vehicles Transacted as the number of vehicles transacted on our marketplace within an applicable period. Vehicles Transacted includes any vehicle that successfully reaches "sold" status, even if the auction is subsequently unwound, meaning the buyer or seller does not complete the transaction, and excludes vehicles that were inspected by us, but not sold on our marketplace. Vehicles Transacted have increased over time as we have expanded provincial coverage in Canada, added new Marketplace Participants (as defined herein), expanded into the US, and increased our share of wholesale transactions from existing customers. Since we only earn auction and ancillary fees in the case of a successful auction, Vehicles Transacted will remain a critical driver of our virtual wholesale auctions revenue growth over time.

Marketplace Participants

We define Marketplace Participants as dealers or commercial partners with a unique customer ID that have either listed, bid on, or transacted at least once in the last 12 months as either a consignor, seller, bidder, or buyer on our wholesale marketplace. Marketplace Participants include independent and franchise dealers buying and selling on our marketplace, as well as commercial partners, consisting of commercial leasing companies, rental car companies, banks or other finance companies, who use our marketplace to sell their inventory. We monitor the growth in Marketplace Participants as such growth promotes a healthier marketplace by attracting a wider variety of inventory and interested buyers on our Platform. We believe that our growth in Marketplace Participants over time has been driven by the value proposition of our offerings and our sales and marketing success, including our ability to attract new dealers and commercial partners to our marketplace. Based on our existing jurisdictional coverage and

expansion plans, we believe that we have a meaningful opportunity to continue to increase the number of Marketplace Participants.

Gross Transaction Value ("GTV")

GTV is driven by the volume and dollar value of Vehicles Transacted on our wholesale marketplace. GTV is an indicator of the overall health and quality of inventory on the marketplace, and GTV per Vehicle Transacted affects the revenue we generate from the fees on those Vehicles Transacted. We define GTV as the total dollar value of Vehicles Transacted through our marketplace within the applicable period, excluding any auction and ancillary fees. GTV growth will also be impacted by market dynamics on the value of each Vehicle Transacted.

Subscribers

Subscribers include the number of unique dealers and commercial partners that have subscribed for any of our retail-focused products available via subscription pricing. These products include websites, Guaranteed Trade, search engine marketing and search engine optimization. The Subscriber count represents the number of customers which are signed up on these features as at the end of each period. We believe our retail subscription products represent a significant cross-selling opportunity to Marketplace Participants using our Platform.

	The three months ended			The year ended		
	December 31, 2023	**December 31, 2022**	**Percent Change**	**December 31, 2023**	**December 31, 2022**	**Percent Change**
Vehicles Transacted	**40,410**	43,544	(7.2)%	**188,866**	192,615	(1.9)%
Gross Transaction Value	**$486,338**	$577,419	(15.8)%	**$2,606,630**	$2,904,883	(10.3)%

As at	**December 31, 2023**	**December 31, 2022**	**Percent Change**
Marketplace Participants	**13,603**	12,531	8.6 %
Subscribers	**1,119**	1,123	(0.4)%

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS financial measures used by management and typically used by competitors in the automotive industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS financial measures are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of companies in the automotive industry. Management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, and the preparation of annual operating budgets and forecasts. The non-IFRS financial measures used in this MD&A include "Adjusted EBITDA" and "Adjusted EBITDA Margin".

We use Adjusted EBITDA and Adjusted EBITDA Margin to evaluate our operating performance and to provide a more complete understanding of factors and trends affecting our business. We believe that Adjusted EBITDA and Adjusted EBITDA Margin are useful measures of operating performance and our ability to generate cash-based earnings, as they provide a more relevant understanding of operating results by excluding the effects of financing and investing activities which removes the effects of interest, depreciation and amortization expenses as non-cash items that are not reflective of our underlying business performance, and other expenses that are not expected to recur on a regular basis.

We define Adjusted EBITDA as net loss for the period, adjusted to exclude: finance expense, net, income tax expense, depreciation and amortization, share-based compensation expense, transaction costs, acquisition related expenses, restructuring costs, expenses related to non-routine legal matters and other expense (income), net.

We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue.

We have presented Adjusted EBITDA and Adjusted EBITDA Margin because they are key measures used by our management and board of directors to understand and evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA and Adjusted EBITDA Margin can produce useful measures for period-to-period comparisons of our business.

See below for a reconciliation of Adjusted EBITDA to its most directly comparable IFRS measure, net loss, for the periods indicated:

	The three months ended		**The year ended**	
	December 31, 2023 $	**December 31, 2022 $**	**December 31, 2023 $**	**December 31, 2022 $**
Net loss for the period/year	**(14,530)**	(13,891)	**(45,914)**	(52,272)
Finance expense, net	**186**	259	**995**	1,107
Income tax expense	**67**	(126)	**113**	(212)
Depreciation and amortization	**2,491**	2,933	**10,381**	9,485
Share-based compensation expense	**103**	1,921	**3,559**	9,970
Transaction costs	**—**	167	**787**	167
Acquisition costs	**—**	36	**27**	288
Restructuring costs (1)	**853**	856	**853**	1,775
Litigation and settlement expenses (3)	**1,433**	—	**1,433**	—
Other expense (income), net (2)	**4,458**	(436)	**6,015**	(9,843)
Total Adjusted EBITDA	**(4,939)**	(8,281)	**(21,751)**	(39,535)
Adjusted EBITDA Margin	**(18)%**	(31)%	**(18)%**	(36)%

(1) Restructuring costs include provision/obligation costs recognized for the 2023 Restructuring (as defined herein) and are recorded within cost of revenue, product, technology and development and selling, general and administrative expenses in the statement of loss and comprehensive loss.
(2) Other expense (income), net includes: foreign exchange loss (gain) and mark to market impacts of our current and non-current liabilities carried at fair value through profit and loss.
(3) Includes litigation-related expenses for certain non-recurring litigation and settlement accrual of $0.5 million for the year ended December 31, 2023.

Components of Results of Operations

Revenue

We generate the majority of our revenue from our digital marketplace where we earn auction fees upon the completion of a successful auction. Auction fee revenue primarily consists of auction fees charged to the buyer and seller for providing them the platform on which to buy and sell vehicles. Revenue is recognized at a point in time when the vehicle is sold to the customer. The Company acts as an agent when facilitating a vehicle auction through the marketplace. Accordingly, auction fees charged to the buyer and seller are recognized on a net basis, excluding the price of the auctioned vehicle in the transaction.

While facilitating a vehicle auction, the Company also provides ancillary services to the customers. Ancillary services include revenue generated by the Company's vehicle condition guarantee program ("Assurance Program"), whereby the Company offers a vehicle condition guarantee to buyers and sellers on the marketplace for an additional fee. The Assurance Program provides sellers protection from paying remedies to buyers related to a buyer's claim that the vehicle did not accurately portray the condition of the vehicle as disclosed on the marketplace. Revenue from this Assurance Program is recognized at the earlier of a successful claim or expiration of the claim period. The Company is primarily responsible for providing these services and therefore, the Company is the principal for these services and as a result revenue is recognized on a gross basis.

The Company also provides other ancillary services to customers that include transportation, floor plan financing, vehicle inspection and import services. Revenue generated from these services is recognized upon vehicle delivery or completion of the ancillary service. The Company provides transport services using both its own fleet transportation vehicles and a network of third-party vendors. The Company is primarily responsible for providing these services and therefore acts as the principal for these services. As a result, revenue is recognized on a gross basis.

Revenue from the sale of retailing software primarily includes subscription fees relating to the provision of software as a service ("SaaS"). Revenue from our SaaS offerings is recognized ratably over the contract term as the services are delivered. The Company applies the time elapsed method to measure progress towards complete satisfaction of related performance obligations. The Company is primarily responsible for providing this service and therefore acts as the principal and the resulting revenue is recognized on a gross basis.

The Company also provides digital advertising campaign optimization and other services. Revenue related to these services is recognized either ratably over the contract term or at a point in time when the service has been completed and made available to the customer. The timing of revenue recognition and the contractual payment schedules often differ, resulting in contractual payments being billed before contractual products or services are delivered. These amounts that are billed, but not earned, are recognized as deferred revenue. The Company is primarily responsible for providing these services and therefore acts as the principal. As a result, revenue is recognized on a gross basis.

Cost of Revenue

Cost of revenue primarily consists of costs related to supporting and hosting our product and service offerings. These costs include employee wages and benefits for our customer support and inspection teams, third-party transportation carrier costs, website hosting costs, inspection costs related to data services, arbitration and assurance related expenses and advertising spend associated with our digital advertising offering.

Operating Expenses

Product, technology and development

Product, technology and development expenses, which include research and development costs (not eligible for capitalization under IFRS), consist primarily of personnel and related expenses for our product development team, including salaries, benefits, incentive compensation, and allocated overhead costs. Research and development costs are expensed as incurred. We expect product, technology and development expenses to moderate in the short term as we focus on operating profitably around our physical auction locations while continuing to invest in our existing Platform. Although we expect these costs to increase over time, we expect these expenses to decline as a percentage of total revenue.

Selling, general and administrative

Selling, general and administrative expense consists of costs resulting from sales, accounting, finance, legal, marketing, human resources, executive, and other administrative activities. These costs include personnel-related expenses, legal and other professional services expense, and other office administrative expenses. Also included in selling, general and administrative expense is advertising and marketing costs to promote our products and services. We expect selling, general and administrative costs to decrease in the short term given restructuring activities and cost saving initiatives designed to help us operate profitably in fewer locations. Although we expect these costs to increase over time, we expect these expenses to decline as a percentage of total revenue.

Depreciation and amortization

Depreciation and amortization expenses consist of depreciation and amortization on property and equipment, right of use assets, and intangible assets. Property and equipment are comprised of computer hardware, office furniture and leasehold improvements. Intangible assets are primarily comprised of trade name and customer relationships.

Other expense (income), net

Other expense (income), net consists mainly of foreign exchange gains/losses, and mark to market impacts of our current and non-current liabilities carried at fair value through profit and loss.

Finance expense, net

Finance expense, net consists mainly of interest on borrowings, and finance leases.

Executive Summary

- Revenue for the three months ended December 31, 2023 increased $0.7 million to $27.0 million compared with $26.3 million in the prior period, representing an increase of approximately 3% as a result of pricing actions, revenues from the acquisition of Houston Auto Auction (the "HAA Acquisition" or the "2023 Acquisition") and further adoption of ancillary services.

- The Company continued to focus on aligning our operations with our strategic focus to build digitally around our physical auction locations in fewer regions in the US. This focus along with other cost saving initiatives drove our quarterly operating expenses down by approximately 15% as compared to the prior year quarter despite incremental expenses from the HAA Acquisition, the De-Listing transaction and higher bad debt expenses.

- On April 10, 2023, the Company announced that its board of directors ("Board"), shareholders and the Toronto Stock Exchange had approved a voluntary de-listing of the Company's common shares from the Toronto Stock Exchange ("TSX") (the "De-Listing Transaction"). Notwithstanding the De-Listing Transaction, the Company remains a "reporting issuer" under applicable Canadian securities laws, which means that the shares of the Company that are currently freely tradeable in Canada continue to be freely tradeable in Canada, and the Company will continue to make continuous and timely disclosure documents as required by applicable Canadian securities laws until it is no longer required to do so.

  To provide liquidity to current shareholders prior to the De-Listing Transaction, the Board approved the commencement of a substantial issuer bid (the "Offer") pursuant to which the Company offered to acquire up to C$7.5 million worth of its common shares at a price of C$3.50 per share (the "Offer Price"). To help finance the Offer and provide the Company with additional working capital, the Company completed a private placement at the Offer Price ("SIB Private Placement") which closed on May 26, 2023.

  On May 27, 2023, the Company announced the completion of the De-Listing Transaction and the final results of the Offer. Upon expiry of the Offer, the Company purchased for cancellation 1,317,239 shares at the Offer Price, for aggregate consideration of approximately $3.4 million. To finance the Offer and provide the Company with additional working capital, 6,485,853 shares were issued at the Offer Price for aggregate gross proceeds of $16.2 million (the "2023 Private Placement").

- On November 6, 2023, to better align our operations with our strategic focus on operating profitably around less locations, the Board approved a restructuring plan which resulted in headcount reductions, compound closures and other measures designed to reduce costs and better position the Company to focus on profitability around its physical auction locations (the "2023 Restructurings"). Costs recognized as a result of the restructuring plan of $0.9 million included primarily severance and other benefits and were recorded within the Company's fourth quarter results.

- During the year ended December 31, 2023, the Company closed a sale and leaseback transaction on two physical auction properties (the "2023 Sale-leaseback Transaction") with its controlling shareholder, Intercap Equity Inc., for a total cash consideration of $8.2 million.

Results of Operations

The following tables present our results of operations for the periods denoted below. References in the financial tables to percentage changes that are not meaningful are denoted by "NM".

	The three months ended			The year ended		
	December 31, 2023	**December 31, 2022**	**Percent Change**	**December 31, 2023**	**December 31, 2022**	**Percent Change**
	$	$	**%**	**$**	$	**%**
Revenue	**27,005**	26,302	3	**121,265**	110,060	10
Cost of revenue	**16,199**	17,414	(7)	**69,810**	69,154	1
Gross profit	**10,806**	8,888	22	**51,455**	40,906	26
Operating expenses						
Product, technology and development	**2,511**	3,090	(19)	**11,286**	11,362	(1)
Selling, general and administrative	**15,624**	17,059	(8)	**68,579**	81,279	(16)
Depreciation and amortization	**2,491**	2,933	(15)	**10,381**	9,485	9
Operating loss	**(9,820)**	(14,194)	(31)	**(38,791)**	(61,220)	(37)
Other expense (income), net	**4,458**	(436)	NM	**6,015**	(9,843)	NM
Finance expense, net	**186**	259	(28)	**995**	1,107	(10)
Loss before income taxes	**(14,464)**	(14,017)	3	**(45,801)**	(52,484)	(13)
Income tax expense (recovery)	**67**	(126)	NM	**113**	(212)	NM
Net loss	**(14,531)**	(13,891)	5	**(45,914)**	(52,272)	(12)
Loss per common share						
Basic and diluted	**(0.25)**	(0.29)	(14)	**(0.82)**	(1.07)	(23)
Weighted average number of common shares outstanding - basic and diluted	**58,326,749**	48,703,405		**56,191,751**	48,703,405	
Gross margin	**40%**	34%		**42%**	37%	

Discussion for the three months and year ended December 31, 2023 as compared to the three months and year ended December 31, 2022.

Revenue

Revenue for the three months ended December 31, 2023 increased $0.7 million to $27.0 million compared with $26.3 million in the prior period. The increase was due primarily to an increase of $3.8 million due to favorable net price realization and product mix as well as an increase of $1.8 million due to the HAA Acquisition.

These increases were offset by a decrease of 7% in Vehicles Transacted resulting in a decrease in revenue of $2.1 million and a decrease of 9% in GTV per Vehicle Transacted, to $12.0 thousand from $13.3 thousand each resulting in a decrease in revenue of $2.8 million. These decreases in Vehicles Transacted and GTV per Vehicle Transacted were primarily due to decreases in market prices of used vehicles in 2023, a scarcity of used vehicle inventory, especially in the Canadian market, and macroeconomic factors affecting used vehicle transactions.

Revenue for the year ended December 31, 2023 increased $11.2 million to $121.3 million compared with $110.1 million in the prior period. The increase was due primarily to an increase of $18.1 million due to favorable net price realization and product mix as well as an increase of $6.9 million due to the HAA Acquisition.

These increases were offset by a decrease of 2% in Vehicles Transacted resulting in a decrease in revenue of $2.4 million and a decrease of 8% in GTV per Vehicle Transacted, to $13.8 thousand from $15.1 thousand each resulting in a decrease in revenue of $11.2 million. These decreases in Vehicles Transacted and GTV per Vehicle Transacted were primarily due to decreases in market prices of used vehicles in 2023, a scarcity of used vehicle inventory, especially in the Canadian market, and macroeconomic factors affecting used vehicle transactions.

Gross profit

Gross profit for the three months ended December 31, 2023 increased $1.9 million to $10.8 million compared with $8.9 million in the prior period. The increase in gross profit was primarily due to increases in revenue, lower marketplace and service costs of $0.9 million due to lower volume as well as lower payroll of $0.3 million due to the 2023 Restructuring. As a result, gross margin for the three months ended December 31, 2023 increased to 40% of revenue as compared to 34% of revenue in the prior period.

Gross profit for the year ended December 31, 2023 increased $10.6 million to $51.5 million compared with $40.9 million in the prior period. The increase in gross profit was primarily due to increases in revenue as well as lower payroll of $2.7 million, offset by higher marketplace and service costs of $3.4 million mainly due to the HAA acquisitions. As a result, gross margin for the year ended December 31, 2023 increased to 42% of revenue as compared to 37% of revenue in the prior period.

Product, technology and development

Product, technology and development expenses for the three months ended December 31, 2023 decreased $0.6 million to $2.5 million compared with $3.1 million in the prior period. The decrease was due primarily to higher capitalized development costs of $0.4 million as compared to prior period, partially offset by increase of $0.2 million in salary and employee related costs for product focused team members which related to the continued maintenance of our Platform and research on new product initiatives.

Product, technology and development expenses for the year ended December 31, 2023 decreased $0.1 million to $11.3 million compared with $11.4 million in the prior period. The decrease was due primarily to higher capitalized development costs by $1.7 million as compared to prior periods, partially offset by increase of $1.6 million in software licenses and communication expenses.

Selling, general and administrative

Selling, general and administrative expenses for the three months ended December 31, 2023 decreased $1.5 million to $15.6 million compared with $17.1 million in the prior period. The decrease was due primarily to a decrease of $1.8 million in share-based compensation expense due to increased forfeitures from headcount reductions.

Selling, general and administrative expenses for the year ended December 31, 2023 decreased $12.7 million to $68.6 million compared with $81.3 million in the prior period. The decrease was due primarily to the impact of current and prior year restructurings and cost saving measures of $6.6 million, which reduced headcount and allowed us to concentrate on fewer regions across the US as well as operational efficiencies within all of the regions in which we operate across North America. Additionally, there was a decrease of $6.4 million in share-based compensation expense due to increased forfeitures from headcount reductions. These decreases were partially offset by incremental expenses associated with the HAA Acquisition as well as costs associated with the De-Listing Transaction.

Depreciation and amortization

Depreciation and amortization expense for the three months ended December 31, 2023 decreased $0.4 million to $2.5 million compared with $2.9 million in the prior period. The decrease was due primarily to an increase in fully depreciated assets.

Depreciation and amortization expense for the year ended December 31, 2023 increased $0.9 million to $10.4 million compared with $9.5 million in the prior period. The increase was due primarily to an increase in amortization of intangibles by $0.8 million mainly due to the HAA Acquisition and the timing of prior year acquisitions.

Other expense (income), net

Other expense (income), net for the three months ended December 31, 2023 increased $4.9 million to $4.5 million compared with $(0.4) million in the prior period. The increase was due primarily to unfavorable foreign currency translation impact of $2.8 million as well as the mark to market impacts of $1 million related to current and non-current liabilities carried at fair value through profit and loss.

Other expense (income), net for the year ended December 31, 2023 increased $15.8 million to $6.0 million compared with $(9.8) million in the prior period. The increase was due primarily to unfavorable foreign currency translation impact of $11.0 million as well as the mark to market impacts of $2.8 million related to current and non-current liabilities carried at fair value through profit and loss.

Finance expense, net

Finance expense, net for the three months ended December 31, 2023 decreased $0.1 million to $0.2 million compared with $0.3 million in the prior period. The decrease was due primarily to higher interest income from sub-leases and matured short term investments as compared to prior period partially offset by higher interest expense on lease obligations.

Finance expense, net for the year ended December 31, 2023 decreased $0.1 million to $1.0 million compared with $1.1 million in the prior period. The decrease was due primarily to higher interest income from sub-leases and matured short term investments as compared to prior period partially offset by higher interest expense on lease obligations.

Results of Quarterly Operations

The following table sets forth selected unaudited quarterly statements of operations data of the last eight quarters. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements. This data should be read in conjunction with our audited annual consolidated financial statements as at and for the years ended December 31, 2023 and 2022 and the related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

The three months ended	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
	$	$	$	$	$	$	$	$
Revenue	**27,005**	30,748	32,724	30,787	26,302	28,849	30,070	24,839
Cost of revenue	**16,199**	17,532	18,541	17,538	17,414	18,713	18,744	14,283
Gross profit	**10,806**	13,216	14,183	13,249	8,888	10,136	11,326	10,556
Operating expenses								
Product, technology and development	**2,511**	3,088	2,946	2,741	3,090	3,124	2,831	2,317
Selling, general and administrative	**15,624**	17,526	18,018	17,411	17,059	21,866	22,752	19,602
Depreciation and amortization	**2,491**	2,689	2,675	2,525	2,933	2,341	2,517	1,693
Operating loss	**(9,820)**	(10,087)	(9,456)	(9,428)	(14,194)	(17,195)	(16,774)	(13,056)
Other expense (income), net	**4,458**	(3,163)	4,236	484	(436)	(6,624)	(4,376)	1,593
Finance expense, net	**186**	253	289	267	259	271	290	287
Loss before income taxes	**(14,464)**	(7,177)	(13,981)	(10,179)	(14,017)	(10,842)	(12,688)	(14,936)
Income tax expense (recovery)	**67**	52	(30)	25	(126)	(60)	(37)	11
Net loss for the period	**(14,531)**	**(7,229)**	**(13,951)**	**(10,204)**	**(13,891)**	**(10,782)**	**(12,651)**	**(14,947)**
Loss per common share								
Basic and diluted	**$ (0.25)**	$ (0.12)	$ (0.26)	$ (0.19)	$ (0.29)	$ (0.22)	$ (0.26)	$ (0.31)
Gross margin	**40%**	43%	43%	43%	34%	35%	38%	42%

Quarterly Revenue Trends

In general, our revenues have increased mainly due to increases in Vehicles Transacted resulting from the expansion of our Platform across Canada, entry into the US market from the acquisitions of Louisiana's 1st Choice Auto Auction ("LAFCAA"), LLC, Lane Auto Auction, LLC d/b/a FastLane Auto Exchange ("FastLane") and the HAA Acquisition and increasing revenue per Vehicle Transacted resulting from a combination of pricing actions and higher GTV per Vehicle Transacted. Used vehicle demand in the first half of 2022 remained strong but started to be impacted by high prices which carried throughout the rest of 2022 where supply and macroeconomic conditions such as inflation and higher gas prices significantly impacted wholesale and retail sales volumes across North America culminating in lower Vehicles Transacted and GTV for the fourth quarter of 2022. In Q1 2023, there was improvement in conversion rates which has carried through into Q4 2023 and, in combination with pricing actions,

contributions from recent acquisitions and lower used vehicle prices, revenues in 2023 have increased as compared to the same periods in 2022 despite a decrease in Vehicles Transacted due to lower inventory and macroeconomic conditions.

Quarterly Expense Trends

Our quarterly cost of revenues generally increased, primarily driven by overall volume increases on our marketplace and in our other offerings, including increases in personnel costs to support volume increases for other services. Throughout 2022 cost increases were driven primarily by increased staffing to support the increases in Vehicles Transacted. Vehicles consigned in general increased throughout 2022 while the sale conversion on those listed units decreased. The capture of these vehicles results in additional costs, and so as sales conversion declined due to buy-side demand, our gross profit margin was impacted. Beginning in Q4 2022 these wage expenses, on a unit economics basis started to show improving efficiency which continued into 2023. The increase in cost of revenue was also due to the additions of personnel and marketplace and service costs included over time as part of integrating acquisitions. In Q1 and through into Q4 2023, this trend started to reverse, where listed units were down as compared to the prior period, but our conversion rate has increased. This combined with cost reductions has lead to improved unit economics and gross profit per Vehicle Transacted.

The increases in selling, general and administrative ("SG&A") operating expenses are primarily the result of employee-related costs following headcount additions to support our business growth through expansion into new markets, new product initiatives and incremental expenses associated with integrating acquisitions. Starting in the third quarter of 2022, operating expenses have generally decreased in each consecutive quarter through Q4 2023 as the result of a series of restructurings and other cost saving initiatives with the exception of Q2 2023, where SG&A costs increased as compared to Q1 2023 due mainly to costs associated with the De-Listing Transaction.

Selected Annual Information

The following table presents selected annual information for the periods denoted below:

As at	**December 31, 2023**	**December 31, 2022**	**December 31, 2021**
	$	**$**	**$**
Revenue	**121,265**	110,060	80,039
Net loss for the year	**(45,914)**	(52,272)	(24,048)
Loss per common share - basic and diluted	**$ (0.82)**	$ (1.07)	$ (0.93)
Total assets	**149,775**	176,622	232,067
Total non-current liabilities	**18,652**	11,549	17,091

Refer to "Results of Operations" in this MD&A for detailed discussion of the changes in revenues and net loss for the year.

Total assets

Total assets as at December 31, 2023 decreased $26.8 million to $149.8 million as compared to $176.6 million as at December 31, 2022. The decrease in total assets was due primarily to a reduction in trade receivables by approximately $10.6 million due to efficiencies in collections and by approximately $8.0 million due to a reduction in average selling prices of the vehicles.

Total non-current liabilities

Total non-current liabilities as at December 31, 2023 increased $7.2 million to $18.7 million as compared to $11.5 million as at December 31, 2022. The increase in non-current liabilities was due primarily to an increase of non-current portion of lease obligations related to the 2023 Sale-leaseback Transaction.

Liquidity and Capital Resources

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders. We determine the total amount of capital required consistent with risk levels. We are not subject to any externally imposed capital requirements.

We continue to manage all aspects of our business, including, monitoring the financial health of our customers, implementing gross margin enhancement strategies, and developing new opportunities for growth. Our principal sources of liquidity are our existing cash and cash equivalents.

On May 27, 2023, we completed the 2023 Private Placement at an offer price of C$3.50 per share whereby, 6,485,853 common shares were issued for aggregate gross proceeds of $16.2 million. We also entered into an amended and restated credit agreement ("2023 Credit Facility") with a Canadian financial institution for a demand revolving credit facility of an aggregate maximum limit of $3.8 million (C$5 million). As at December 31, 2023, we were in compliance with our debt covenants under the 2023 Credit Facility. Refer to Note 12 in the accompanying audited consolidated financial statements for management's discussion of the Credit Facility. Additionally, we also completed the 2023 Sale-leaseback Transaction generating gross proceeds of $8.4 million and a warrant exercise generating proceeds of $1.9 million with our controlling shareholder. As at December 31, 2023, we were in compliance with our financial debt covenants and we have no reason to believe that we will be unable to satisfy these covenants in the future.

Our accompanying audited consolidated financial statements at December 31, 2023 have been prepared on a going concern basis which assumes that we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future. For the year ended December 31, 2023, we had a net loss of $45.9 million and net cash used in operations of $12.3 million. As at December 31, 2023, we had cash and cash equivalents of $12.4 million. Due to the continued uncertainty in the macroeconomic environment, including higher interest rates, high vehicle prices and low inventory, especially in the Canadian market, we believe our current liquidity may not be sufficient to cover our operating, investing and financing cash uses for the next twelve months.

We are pursuing several initiatives to improve our profitability, liquidity and net cash position, such as controlling and reducing operating expenses, limiting capital expenditures and raising additional funds through external financing. Our cost control efforts include headcount reductions, consolidation of underperforming assets, hiring freezes and delaying certain capital expenditures.

Provided that we are able to successfully execute upon our initiatives to improve our profitability, liquidity and net cash position, we believe that the Company will be able to continue to operate as a going concern.

Liquidity

	The year ended		
	December 31, 2023	December 31, 2022	Dollar Change
	$	$	$
Cash and cash equivalents provided by (used in):			
Cash used in operating activities	**(12,332)**	(54,649)	42,317
Cash provided by (used in) investing activities	**2,105**	(44,794)	46,899
Cash provided by financing activities	**5,352**	6,340	(988)
Net change in cash and cash equivalents	**(4,875)**	(93,103)	88,228
Effect of foreign exchange on cash and cash equivalents	**191**	(1,201)	1,392
Total decrease in cash and cash equivalents	**(4,684)**	(94,304)	89,620

Cash and cash equivalents

For the year ended December 31, 2023 compared to the year ended December 31, 2022

Cash and cash equivalents decreased $4.7 million to $12.4 million compared with $17.1 million in the prior period.

Cash balances are used mainly to fund working capital requirements, and for business acquisitions.

Cash used in operating activities

Cash used in operating activities for the year ended December 31, 2023 decreased $42.3 million to $12.3 million as compared with cash used in operating activities of $54.6 million in the prior period. The decrease in cash used was due primarily to a decrease in net loss adjusted for non-cash items and an increase in changes in non-cash working capital balances.

Cash provided by (used in) investing activities

Cash provided by (used in) investing activities for the year ended December 31, 2023 of $2.1 million was due primarily to net cash provided by proceeds from sale of properties of $8.4 million offset by the cash used in the Houston Acquisition of $2.7 million, capitalization of development costs of $2.7 million and other additions of property and equipment.

Cash provided by financing activities

Cash provided by financing activities for the year ended December 31, 2023 of $5.4 million was due primarily to proceeds from the 2023 Private Placement of $16.2 million. This was offset by repayments of lease obligations of $5.2 million and earn out payments associated with the Company's prior year acquisitions of Digital Auctions, LLC ("Digital Auctions"), Les Enchères D'Automobiles St-Pierre, Ltée ("ESP") and Gestion Malyka, Inc. ("TradeHelper" or "TH") of $4.2 million.

Contractual Commitments and Obligations

We enter into various contractual obligations with a variety of expiration dates that impact, or could impact, our liquidity. To the extent that our operating cash flows are not sufficient to meet our liquidity needs, we may utilize cash on hand or amounts available under our financing arrangements, if necessary.

The following table summarizes our contractual obligations as at December 31, 2023:

	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	$	$	$	$	$	$	$
Trade and other payables	36,350	36,350	—	—	—	—	36,350
Lease obligations	19,999	5,448	4,494	3,732	2,726	16,546	32,946
Other current and non-current liabilities	4,590	3,087	1,620	—	—	—	4,707
	60,939	**44,885**	**6,114**	**3,732**	**2,726**	**16,546**	**74,003**

Critical Accounting Estimates

The process of preparing our consolidated financial statements in accordance with IFRS requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

We have identified the items described below as our critical accounting estimates. We do not believe there is a reasonable likelihood that there will be a material change in the future judgements or assumptions we use in our critical accounting estimates. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material to our consolidated financial statements. Refer to Note 2 in the E INC audited annual consolidated financial statements for the years ended December 31, 2023 and 2022 for a discussion of these and other material accounting policies.

Revenue recognition

Revenue represents the amount we expect to receive for products and services in our contracts with customers, net of discounts. Revenue from contracts with customers is recognized when control of goods or services are transferred to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The total consideration for the arrangement is allocated to the separate performance obligations based on their relative fair value and the revenue is recognized for each performance obligation when the requirements for revenue recognition have been met. The Company determines the fair value of each performance obligation based on the average selling price when they are sold separately.

Our customer incentives and rebates contain uncertainties because it requires management to make assumptions in order to estimate the amount of consideration which we expect to receive. Our estimates are primarily based on historical activity.

Business combinations

We record acquisitions using the purchase method of accounting. All of the assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill.

The application of the purchase method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed, in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. The fair value assigned to tangible and intangible assets

acquired and liabilities assumed are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Significant assumptions and estimates include, but are not limited to, future cash flow projections and determination of the appropriate weighted-average cost of capital. Changes to these estimates and assumptions could result in a change to the fair value allocated to the assets acquired and liabilities assumed during the measurement period.

If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the consolidated financial statements may be exposed to potential impairment.

Goodwill

We conduct tests for impairment of our goodwill annually, in the fourth quarter, or more frequently if events or circumstances indicate the carrying amount may not be recoverable. We use valuation techniques to make this assessment. For the purpose of impairment testing, the Company monitors and tests goodwill at the group of cash-generating unit ("CGU") level to which the goodwill has been allocated. If the recoverable amount, representing the higher of its fair value less cost to sell and its value in use, of the group of CGU's is less than its carrying amount, any resulting impairment loss is first allocated to goodwill and subsequently to other assets on a pro rata basis for each CGU. Any goodwill impairment loss is recorded in the consolidated statements of loss and comprehensive loss in the period of impairment.

For the year ended December 31, 2023, we performed a quantitative analysis, whereby we used a market approach to determine the fair value less costs to sell, as well as an overall consideration of enterprise value. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry and economic factors. These assumptions could be negatively impacted by various risks discussed in "Risk Factors", in the Company's AIF dated March 7, 2023. Critical assumptions used include the determination of share price from the market approaches utilized and selection of comparable public companies. Significant changes to these assumptions could indicate impairment of the goodwill recorded in the consolidated financial statements.

At December 31, 2023 the carrying amount of goodwill was $50.7 million, and no impairment was identified.

Share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of equity settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements as at December 31, 2023. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transactions

Certain of our directors and shareholders hold investments in entities that have commercial agreements with the Company. These entities include (a) McConkey Auction Group ("MAG Now", "MAG Management, LLC" and "GB Auctions, Inc.") and its related subsidiaries (each indirectly owned or controlled by director Robert McConkey); and (b) Fluency Inc. (controlled by former director Mike Lane). All fees earned and charged to us from related party transactions were performed at an arm's length price.

The following is a summary of the related party transactions described above:

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- The Company earns fees for the use of our Platform in MAG Now auctions. For the year ended December 31, 2023, fees earned were $1.0 million (2022: $0.9 million).

- The Company entered into an arrangement with MAG Management, LLC on June 30, 2022 to provide remarketing services in the US for certain vehicles that pass through our Assurance Program. Amounts paid for these services under such arrangement were not material.

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- Fluency, Inc. is a vendor of the Company in relation to our digital advertising offerings. For the year ended December 31, 2023, amounts paid to Fluency, Inc. under such arrangement were $0.2 million (2022: $0.1 million).

Additionally, on May 27, 2023, the Company completed the Private Placement of 5,714,285 common shares at a price of C$3.50 per share for aggregate gross proceeds of $14.8 million (C$20 million) as well as closed the 2023 Sale-leaseback Transaction on December 28, 2023 for a total cash consideration of $8.2 million with the Company's controlling shareholder.

On December 14, 2023, outstanding warrants were exercised and 1,225,488 common shares were issued to the Company's controlling shareholder for total proceeds of $1.8 million (C$2,500).

Transactions with related parties were made at arm's length prices and no guarantees have been given or received. As at December 31, 2023, there were outstanding receivables and payables of $0.4 million and $0.03 million (2022 – $2.0 million and $0.03 million), respectively, from these related parties.

The following table provides the compensation expense for the Company's key management personnel.

	For the year ended December 31,	
	2023	**2022**
	$	**$**
Short-term employee benefits	**3,132**	3,299
Share-based compensation	**1,796**	2,936
Total	**4,928**	6,235

Financial and Other Instruments

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. In general, the Company does not trade on credit terms and performs credit checks for certain groups of customers. As at December 31, 2023 and 2022, there were no customers that had outstanding balances representing greater than 10% of the outstanding receivable balance.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties, utilizing pre-authorized debits of customer accounts, and from withholding transfer of title until payment is received.

The aging of trade receivables is as follows:

	2023	2022
	$	$
Less than 30 days past due	**24,496**	40,930
31 – 60 days past due	**3,314**	5,179
61 – 90 days past due	**1,408**	2,225
Greater than 90 days past due	**4,430**	6,061
Gross trade receivables	**33,648**	54,395
Less: ECL allowance	**1,125**	708
Net trade receivables	**32,523**	53,687

The following table shows the movement in expected credit loss ("ECL") allowance that has been recognized for trade receivables:

	2023	2022
	$	$
Beginning balance	**708**	11
Write-offs	**(1,863)**	(81)
Net remeasurement of ECL allowance	**2,280**	778
Ending balance	**1,125**	708

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from US dollar denominated cash in entities whose functional currency is other than US dollars. The net carrying value of these US denominated balances held in entities with Canadian dollars as their functional currency as at December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Cash and cash equivalents	**41**	10,875
Trade and other payables	**(205)**	(164)
	(164)	10,711

If there was a 1% strengthening or weakening of the US dollar against the Canadian dollar, there would not be a material impact on these balances.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal and as such has determined that a 1% change in rates would not have a material impact on this MD&A.

Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any other price risk as at December 31, 2023.

Fair values

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as 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 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company determined that its other current and non-current liabilities, which represent the estimated fair value of earnout payments, should be classified within Level 3 due to significant unobservable inputs. No other instruments are considered Level 3. As observable inputs are not available, the Company used valuation techniques to derive the fair value. The estimated fair value of the earnout payments is determined through a scenario-based model to independently assess individual earnouts and calculate the fair value of the earnouts based on probabilities of success attributable to each scenario.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement:

Financial liability	**Valuation techniques**	**Significant unobservable**	**Relationship of unobservable inputs to fair value**
Fair value of earn-out liability	Monte Carlo Simulation	Volatility	Increase or decrease in revenue volatility will result in an increase or decrease in fair value
		Risk-Adjusted Revenue and Growth Rate	Increase or decrease in the growth rate will result in an increase or decrease in fair value
		Discount Factor	Increase or decrease in the discount factor will result in an increase or decrease in fair value

As of December 31, 2023, the fair value of the earn-out payments was $1.4 million determined using a combination of a Monte Carlo Simulation with the following assumptions: volatility, estimated based on historical asset volatility of comparable companies, of 20.0% (2022 – 20.0%), risk-adjusted revenue and bookings growth rate of (18)% (2022 – (18)%), a market risk factor of 1.3% (2022 – 1.3%), and a discount rate of 3.76% - 4.57% (2022 – 3.76% - 4.57%).

The movement in the Level 3 instrument has been disclosed in Note 5 to the E INC audited consolidated financial statements for the years ended December 31, 2023 and 2022. A sensitivity analysis for the Level 3 instrument was not presented as it was deemed that the impact of reasonable changes in inputs would not be significant.

Outstanding Share Information

The Company's authorized share capital consists of (i) an unlimited number of common shares and (ii) an unlimited number of preferred shares, issuable in series. As at December 31, 2023, 59,583,735 common shares and no preferred shares are issued and outstanding on a non-diluted basis. In addition, the Company has 3,795,111 Canadian dollar denominated and 849,840 US dollar denominated options to acquire common shares, 377,096 deferred share units and 229,389 restricted share units.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or have caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure and to provide reasonable assurance that the information required to be disclosed in reports that are required to be filed or submitted under applicable Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules.

The CEO and the CFO have also designed, or have caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

As at December 31, 2023, the Company's disclosure controls and procedures and its ICFR were operating effectively. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are being met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in ICFR during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.