

## **LOOPShare Ltd. (formerly Kenna Resources Corp.)**

### **INTERIM MANAGEMENT DISCUSSION AND ANALYSIS**

This Interim Management Discussion and Analysis (this “**MD&A**”) is dated August 25, 2016 and is intended to assist the reader in understanding the results of operations and financial condition of LOOPShare Ltd. (formerly Kenna Resources Corp., the “Company” or “LOOPShare”). This MD&A should be read in conjunction with the following information that can be obtained from [www.sedar.com](http://www.sedar.com):

- (i) the Company’s unaudited condensed consolidated interim financial statements for the six months ended June 30, 2016 and accompanying notes;
- (ii) the Company’s unaudited condensed interim financial statements for the three months ended March 31, 2016 and accompanying notes;
- (iii) the unaudited condensed interim financial statements of the Company’s subsidiary, Saturna Green System Inc. (“Saturna”), for the three months ended March 31, 2016 and accompanying notes;
- (iv) the Company’s Annual Management’s Discussion and Analysis dated May 29, 2016 together with the Annual Management’s Discussion and Analysis of Saturna (collectively, “**Annual MD&A**”); and
- (v) The Filing Statement of the Company dated the 29<sup>th</sup> day of May, 2016.

Unless otherwise noted, results are reported in Canadian dollars which is the Company’s functional currency and are reported in accordance with International Financial Reporting Standards (“**IFRS**”). References to USD are references to United States dollars.

### **CAUTION ON FORWARD-LOOKING INFORMATION**

This Interim MD&A contains certain “forward-looking information” and “forward-looking statements” (collectively “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation. When we discuss our strategy, plans, outlook, future financial and operating performance, financing plans, growth in cash flow and other events and developments that have not yet happened, we are making forward-looking statements. All statements in this MD&A that address events or developments that we expect to occur in the future are forward-looking statements, including the following: our intention to ship scooters equipped with our devices directly from the manufacturer; the development and capabilities of LOOPShare (as defined herein) platform to enable scooter sharing operations; the continuing trend towards a sharing economy; projections in relation to global urbanization; our plan to launch operations by partnering with operators worldwide; our plan to continue the development of our devices to provide for manufacturing cost savings; our plan to customize the Vmoto (as defined herein) scooter; our plan to obtain certification of the SVD400G device (as defined herein); our plan to obtain homologation of the Vmoto scooter; our plan to commence scooter sharing field trials; our plan to make an SR&ED (as defined herein) claim for the 2015 year; payments under the Amended and Restated Royalty Agreement (as defined herein); our plan to develop hardware enhancements, new hardware products, and new software in order to continue to provide leading edge technology; our plan to launch a LOOPShare trial program; our plan to increase development activities upon completion of the Transaction (as defined herein); our plan to outsource final assembly operations; our anticipation that margins on hardware sales will improve; our expectations in relation to the Berytech Business Arrangement (as defined herein); our expectations in relation to working capital; our expectations in relation to our future financial needs; our expectations in relation to a business arrangement with Loop (as defined herein); additional advances from BTFII (as defined herein) and the issuance of Additional Berytech Warrants (as defined herein); our expectations regarding our OEM (as defined herein) customers and completing such customers’ orders; and our expectations in relation to competition and foreign currencies.

Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as “expect”, “plan”, “anticipate”, “project”, “target”, “potential”, “schedule”, “forecast”, “budget”, “estimate”, “intend” or “believe” and similar expressions or their negative connotations, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company’s control, including the following:

Our dependence on suppliers and customers; our untested business model; our ability to attract qualified operators; the competitive nature of the transportation sharing market; our ability to manage our growth; geopolitical risks; exchange rate risks; regulatory risks; our future operations; our dependence on key personnel; dilution to present and prospective shareholders; the lack of a market for our securities; and our share price.

As we are entering into a new business segment, future operations are uncertain and there is a risk that there will be a limited market for our services. In addition, operational challenges such as licensing, regulation and product and service costs are uncertain and may vary from country to country.

The Company assumes no responsibility to revise forward looking statements to reflect new information, subsequent events or changes in circumstances, except as required by applicable securities laws.

## **1. Description of the Business**

LOOPShare Ltd. (formerly Kenna Resources Corp., the “Company” or “LOOPShare”) was incorporated under the provisions of The Business Corporations Act (Saskatchewan) on September 25, 2009. On September 4, 2014, the Company completed its continuance to British Columbia under The Business Corporations Act (British Columbia). The Company is in the business of mineral exploration. The Company’s head office, principal address and the registered and records office are located at 110 – 131 Water Street, Vancouver, BC V6B 4M3.

During the six months ended June 30, 2016, the Company acquired all of the outstanding securities of Saturna Green Systems Inc. (“Saturna”) in exchange for the issuance of securities of the Company (the “Transaction”). The Company, with Saturna as its wholly owned subsidiary, will now pursue the business of Saturna as described in the Company’s filing statement dated May 29, 2016 and available under the Company’s profile on [www.sedar.com](http://www.sedar.com).

Saturna develops and deploys connected end-to-end Telematics-based solutions for inner-city transportation vehicles, specifically geared toward Transportation as a Service (“TaaS”). Saturna specializes in the connected vehicle industry with a focus on two wheel electric vehicles. Saturna has developed a ruggedized 7” touch screen dashboard for factory installation.

In conjunction with the closing of the Transaction, the Company has changed its name to “LOOPShare Ltd.” and consolidated its outstanding class A shares on the basis of 1.469565217 old shares for each one new share (on a post-consolidation basis, the “Shares”). All of the Company’s other outstanding securities were adjusted on the same basis prior to completion of the Transaction.

Effective at the opening, Friday, July 8, 2016, the common shares of Loopshare Ltd. resumed trading under the new name on the TSX Venture Exchange. The Company is classified as a technology company.

## 2. Overall Performance

### a) Operations for the Six Months Ended June 30, 2016

During the period the Company resumed delivery of its SVD400 units to its OEM customer, which had delayed during the first quarter of this year due to the failure of a supplier that was subsequently replaced. During the six months ended June 30, 2016 the Company continued the development of its SVD400G hardware device and commenced ordering parts for its initial production run. The Company also continued the development of its software products and applications for scooter sharing operations. The Company is on track to meet its milestones as discussed in its Annual MD&A and as set out in item 3 herein.

### b) Reverse Takeover Transaction

On June 28, 2016, the Company (formerly Kenna Resources Corp.) completed a reverse takeover transaction with Saturna Green Systems Inc. (“Saturna”) pursuant to a Securities Exchange Agreement (“SEA”). Under the terms of the SEA, the Company acquired all of the outstanding securities of Saturna in exchange for 26,191,427 common shares of the Company at a deemed price of \$0.20 per the Company share (the “Transaction”).

The Company, with Saturna as its wholly owned subsidiary, will now pursue the business of Saturna as described in the Corporation’s filing statement dated May 29, 2016.

Immediately prior to closing Saturna had 7,818,341 class A common shares outstanding after giving effect to the following:

Class A common shares issued immediately prior to completion of the Transaction	Class A common shares <sup>(1)</sup>	Issue Price <sup>(1)</sup>	Share Capital
Class A common shares issued and outstanding, June 30, 2016	6,282,506		
Conversion of debentures <sup>(2)</sup>	1,014,917	\$0.5025	\$510,000
Settlement of accrued compensation	73,157	\$0.67	\$49,015
Finder’s fees paid to Fortuna Investment <sup>(3)</sup>	447,761	\$0.67	\$300,000
Total class A common shares issued and outstanding immediately prior to completion of the Transaction	7,818,341		

(1) The class A common shares and corresponding issue price in the above table are reported prior to the share exchange of 3.35 of the Company’s common shares for each of Saturna’s class A common shares.

(2) Convertible debentures in the aggregate principal amount of \$510,000 were converted at a price of \$0.5025 per class A common share, being the Transaction price of \$0.67 per class A common share, less a discount of 25%, with no additional consideration paid for accrued interest.

(3) Issued pursuant to advisory agreements with Fortuna Investment Corp. In addition to 447,761 class A common shares, the Company paid Fortuna a fee of \$120,000 upon completion of the Transaction. See note 21 (c) of the Company’s audited financial statements.

In connection with the Transaction, immediately prior to the shares exchange, Kenna Resources Corp. consolidated its common shares on a 1.469565217 to 1 basis (the “Consolidation”), resulting in 5,618,616 common shares of Kenna being issued and outstanding and 1,467,744 share purchase warrants exercisable at a price of \$0.37 per share.

Upon completion of the Transaction, the Company changed its name from Kenna Resources Corp. to LOOPShare Ltd. and paid finder’s fees of \$279,415 by the issuance of 1,397,074 LOOPShare common shares.

In conjunction with closing of the Transaction, LOOPShare closed a private placement for gross proceeds of \$1,375,000 by the issuance of 6,875,000 LOOPShare common shares at a price of \$0.20 per share and paid cash commissions totaling \$52,210 along with 254,800 non-transferable broker warrants in connection with the private placement. Each broker warrant entitles the holder thereof to purchase one resulting LOOPShare common share at an exercise price of \$0.37 per share for a period of two years from the closing of the private placement.

As a result of the Qualifying Transaction, the shareholders of Saturna owned approximately 82% of the issued and outstanding common shares of LOOPShare on a diluted basis. For accounting and reporting purposes, Saturna is the accounting acquirer and LOOPShare is the accounting acquiree because of the significant holdings and influence of the control group of Saturna before and after the Qualifying Transaction.

The reverse acquisition has been accounted for as a share -based payment transaction on the basis that LOOPShare did not meet the definition of a business because LOOPShare is a shell based company with no ongoing business operations. As a result, the difference between the fair value of the consideration deemed to have been paid by the accounting acquirer and the fair value of the identifiable net assets of the accounting acquiree is expensed.

The net assets acquired at fair value on June 28, 2016 are as follows:

<b>Consideration paid</b>		
5,618,617 common shares <sup>(1)</sup>	\$	1,123,723
2,647,617 warrants		219,556
<b>Total consideration paid</b>		<b>1,343,279</b>
<b>Less: Value of net assets</b>		
Cash		180,829
Amounts receivable		193,369
Trade and other payables		(11,503)
		362,695
<b>Net assets included in listing expenses</b>	\$	<b>980,584</b>
<b>Other listing expenses</b>		
Finders shares		579,415
Finders fee paid in cash		120,000
Legal expenses		167,452
		866,867
<b>Total listing expenses</b>	\$	<b>1,847,451</b>

c) Business Arrangement

On February 3, 2016, the Company entered into a master agreement (the “**Berytech Agreement**”) with Berytech Fund II s.a.l. (Holding) (“**BTFII**”), Berytech Fund Management s.a.l. (Holding) (“**BTFM**”), Loop s.a.l. (“**Loop**”), and Anwar Sukkarie, a director and officer of the Company. Loop is a Lebanese company incorporated for the purpose of this business arrangement (the “**Berytech Business Arrangement**”). Pursuant to the Berytech Agreement, BTFII has, at the date of this MD&A, advanced Loop USD 610,000, which amount may be increased to an aggregate of USD 2.5 million, upon agreement of all parties to the Berytech Agreement. During the six months ended June 30, 2016 USD 190,000 of the advance was used to immediately repay certain non-interest bearing loans previously granted by BTFM to Loop, US\$293,000 was used to license software from the Company and US \$81,500 was paid to the Company as purchase deposits for electric scooters equipped with the Company’s technology (“**Loop Scooters**”). During six months ended June 30, 2016 further deposits of US\$63,956 were paid towards the purchase price of the Loop Scooters. The remaining proceeds of the initial advance will be used by Loop to complete its payments for acquisition of the Loop Scooters, assist the Company in developing software applications, commence a field trial for a scooter sharing operation in Beirut, Lebanon, and represent LOOPShare in the Middle East and Africa.

### 3. Future Plans and Outlook

The Company is planning to perform the following activities during the year ending December 31, 2016:

- a) continue the development of the SVD400 and SVD400G devices to provide for manufacturing cost savings;
- b) complete customization of the Vmoto electric scooter to accommodate the use requirements of a scooter sharing operation;
- c) obtain certification of the SVD400G device.
- d) obtain homologation of the Vmoto scooter to meet transport authority requirements for Canadian and European markets; and
- e) commence scooter sharing field trials in Vancouver, British Columbia, London, UK and Beirut, Lebanon.

#### 4. Summary of Quarterly Results

Quarterly results for the three and six months ended June 30, 2016 and 2015 are as follows:

Quarterly Results	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Total Revenue	\$ 73,585	\$ 25,951	\$ 482,558	\$ 42,864
Cost of Sales	52,755	21,384	53,163	22,914
Gross Margin	20,830	4,567	429,395	19,950
Amortization	2,217	2,063	4,434	4,126
Interest expense and debt premium	15,122	12,233	58,059	24,465
General and administrative	137,932	86,593	283,190	155,931
Research and development	152,411	46,108	241,013	80,665
Sales and marketing	20,690	59,308	42,136	73,119
Refundable tax credit	(33,158)	-	(33,158)	-
Class A common share based compensation	41,595	86,707	162,564	90,178
Total Expenses	336,809	293,012	758,238	428,484
Profit and loss from continuing operations	(315,979)	(288,445)	(328,843)	(408,534)
Currency gain (loss)	(912)	(3,200)	11,44	484
Gain on settlement of debt	97,779	-	97,779	-
Listing expense	(1,847,451)	-	(1,847,451)	-
Net Loss	(2,066,563)	(291,645)	(2,067,071)	(408,050)
Loss per share – basic and diluted	\$ (0.10)	\$ (0.01)	\$ (0.10)	\$ (0.02)
Weighted average number of common shares	21,469,411	19,043,142	21,064,249	18,460,838

##### a) Revenue and Gross Margin

Revenue for the three and six month periods ended June 30, 2016 is comprised of the sale of software licenses to Loop (*see paragraph 2 c, Business Arrangement*), sales of services and hardware. The costs associated with the development of the software acquired were expensed in prior periods. The Company does not expect that it will realize additional license sales for the foreseeable future. The Company derived revenue from services of \$36,900, including the sale of the software licenses of \$403,969, and \$41,689 from hardware sales in the six months ended June 30, 2016. The Company derived revenue from services of \$31,896 and from hardware sales of \$41,689 in the three months ended June 30, 2016.

Revenue for the three months ended June 30, 2015 was derived \$12,932 from services provided to the Company's OEM customer and \$13,019 from hardware shipped to the same OEM customer, representing the Company's first shipment of commercial SVD400 units.

Revenue for the six months ended June 30, 2015 was derived \$18,352 from services provided to the Company's OEM customer and \$24,512 from hardware shipped to the same OEM customer.

b) Expenses

Total expense for the three and six month periods ended June 30, 2016 primarily due to increased salaries. Total expense for the six months ended June 30, 2016 increased by 77% over the prior comparable period, of which 45% of the increase is due to an agreement with employees to earn reduced salaries for the 2015 year, accounting for a \$148,907 reduction in salaries over the prior comparable period.

i) General and Administrative

General and administrative expense for the six months ended June 30, 2016 increased by 82% over the prior comparable period, of which 41% of the increase due to a \$52,776 reduction in salaries, primarily due to an agreement with employees to earn reduced salaries for the 2015 year.

ii) Research and Development Expense

Research and development expense for the six months ended June 30, 2016 increased by 199% over the prior comparable period, of which 65% of the increase is due to a \$104,321 reduction in salaries, primarily due to an agreement with employees to earn reduced salaries for the 2015 year. 38% of the increase is due to an increase in consulting services of \$60,824.

iii) Sales and Marketing Expense

Sales and marketing expense for the three and six months periods ended June 30, 2016 decreased by 42% over the prior comparable six month period primarily due to a \$22,383 reduction in travel expense representing 72% of the decrease.

iv) Class A Common Share Based Compensation Expense

The share-based compensation expense of \$162,564 was due to \$75,000 pursuant to an arrangement with an Officer of the Company to pay a portion of his salary in class A common shares, \$80,000 due to an agreement to pay a consultant shares for the provision of business development services, \$700 bonus shares, and \$6,864 of the stock options expenses recognized during the period. Share-based compensation for the prior comparable quarter was \$90,178 in connection with an arrangement with employees to reduce their salaries for the 2015 year.

v) Interest Expense

Interest expense for the six months ended June 30, 2016 related to accretion interest accrued with respect to the Company's convertible debentures. Effective June 28, 2016 the Company converted all of its debentures into common shares with no consideration for interest. During the six months ended June 30, 2016 the increase in interest expense over the prior comparable period of \$33,594 was primarily due to the following:

- During the quarter ended March 31, 2016, the Company recorded interest expense of \$26,239 from the issuance of a convertible debenture in settlement of a non-interest bearing loan in the principal amount of \$100,000 with no stated terms of repayment. The debenture agreement, which has the same terms as the Company's other debenture agreements and as set out in the June 30, 2016 unaudited financial statements, is effective on the date the funds were originally advanced, being May 30, 2014; and

- During the quarter ended March 31, 2016 the Company recorded interest expense of \$7,443 resulting from the retroactive adjustment of the terms of two debentures each with a face value of \$25,000.
- Interest expense for the three months ended June 30, 2016 increased 24% over the prior comparable quarter due to the \$150,000 increase in outstanding debentures issued in the preceding quarter.

Summary of Quarterly information:

The Company has not prepared quarterly financial statements for quarters prior to March 31, 2015. The Company has not previously reported loss per share information for quarters other than the quarters ended June 30, 2016 and June 30, 2015.

	June 30, 2016	March 31, 2016	For the quarters ended		June 30, 2015	March 31, 2015
	\$	\$	December 31, 2015	September 30, 2015	\$	\$
Revenue	73,585	408,973	257,331	113,046	25,951	16,913
Direct Costs	52,755	408	65,131	62,997	21,384	1,529
Gross Margin	20,830	408,565	192,199	50,049	4,567	15,383
Total operating expenses	336,809	421,430	348,974	277,795	293,012	135,472
Loss before undernoted	(315,979)	(12,865)	(156,774)	(227,746)	(288,445)	(120,089)
Exchange gain (loss)	(912)	12,356	(37,705)	255	(3,200)	3,683
Gain on settlement of debt	97,779	-	-	-	-	-
Listing expense	(1,847,451)	-	-	-	-	-
Net Loss	(2,066,563)	(509)	(194,480)	(227,491)	(291,644)	(116,406)

Revenue in the quarter ended March 31, 2016 was derived from the provision of services and licensing. There were no hardware sales recorded in that quarter due to a delay in manufacturing caused by the failure of a key supplier. Hardware sales resumed in the second quarter of 2016. Revenue for the quarter ended December 31, 2015 included service revenues of \$200,334 from recognition of final delivery of services under a development contract. The remaining revenue reported for the above quarters is primarily derived from hardware sales and related services for one OEM customer located in USA. There are no known trends or seasonal impacts on the Company's business.



## 5. Financial Position

Summary of Financial Position	June 30, 2016	December 31, 2015
Current assets	\$1,943,515	\$464,279
Total assets	\$2,077,588	\$602,786
Current and total liabilities	\$1,110,488	\$1,481,622
Deficit	\$(5,831,209)	\$(3,764,138)
Shareholders' equity (deficiency)	\$967,100	\$(878,836)

### a) Assets

The increase in current assets was 319% due to an increase in cash of \$1,282,083, comprised \$1,322,775 from the net proceeds from the issuance of common shares, and offset by the redemption of preferred shares in the amount of \$60,480. Inventory increased by \$79,656, accounts receivable by \$62,680 and prepaid expenses by \$112,446. The increase in prepaid expense is primarily due to the prepayment of orders to acquire scooters for the Company's scooter sharing trials. Tax credits receivable decreased by \$47,941 due to the receipt of refundable tax credits of \$88,099 in the quarter ended March 31, 2016 and the accrual of \$33,158 during the quarter ended June 30, 2016.

Total assets increased by 245% from total assets at December 31, 2015 due primarily to the increase in cash proceeds from issuance of shares.

### b) Liabilities

Liabilities as at June 30, 2016 decreased by 25% during the six month period, due to a net reduction of short term promissory notes of US\$193,000. The reduction is comprised of the repayment of a promissory note to the Company's affiliate, Loop. Accrued compensation decreased by \$90,129. During the quarter ended June 30, 2016 debentures in the amount of \$510,001 were converted into common shares. Liabilities were increased by \$296,795 due to an increase in accounts payable the majority of which was related to listing fees with respect to the Company's RTO Transaction. Deferred revenue increased by \$230,696 representing customer deposits used to finance the prepaid inventory, primarily scooters for the Company's scooter sharing trials.

### c) Foreign Currency Gain

During the six months ended June 30, 2016 the Company realized a currency gain of \$11,444, \$757 due on a promissory note in the amount of USD 193,000 and \$10,687 from the retranslation of other current net monetary assets. The promissory note was repaid on Feb 23, 2016.

## 6. Non-recurring Transactions

During the six months ended June 30, 2016 the Company recorded revenue from the sale of software license to its affiliate, Loop. It is not expected that this will be a recurring revenue stream.

## 7. Liquidity and Capital Resources

The Company is reliant on its ability to raise capital in order to settle its debts as they come due. At June 30, 2016, the Company had a working capital of \$833,027, an increase of \$1,850,370 over its December 31, 2015 working capital deficiency of \$1,017,343. At the date of this MD&A the Company had commitments under its office lease and purchase orders of \$629,044.

Current operating capacity is estimated to be \$1,132,000 based on expenditures for the six months ended June 30, 2016, less non-recurring costs. Incremental costs of \$103,000 are planned for the 12 months ending June 30, 2017. The total funds required for current capacity and planned growth of \$1,235,000 which are set out in the following table are expected to be provided by the Company's June 28, 2016 Transaction and connected private placement.

Estimated operating expenditures for the ensuing 12 month period ending June 30, 2017 (not committed)	Required funding
Engineering and design	\$425,000
Sales and marketing	\$260,000
Operations and administration	\$550,000
<b>Total funds required for operations</b>	<b>\$1,235,000</b>

As at June 30, 2016, the Corporation had \$1,302,584 cash, an increase of \$1,282,083 compared to a cash of \$20,501 at December 31, 2015. The increase was due to cash from operating activities of \$286,900 and from financing activities of \$995,183.

On February 3, 2016, the Company entered into the Berytech Business Arrangement that involved granting a security interest in its present and future intellectual property, thereby restricting the ability of the Company to grant such security to other parties. This restriction could prevent the Company from obtaining operating financing, such as leases and operating lines of credit. The Company may be required to fund its ongoing operations from future operating surpluses, if they exist, or from raising additional equity financing.

## 8. Related Party Transactions

The following amounts are payable to related parties as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Companies controlled by directors	\$ 4,494	\$ 3,649
Accrued compensation	90,123	51,941
Obligation to issue class A common shares	-	74,885
Expenses incurred on behalf of Company	-	4,541
Bridge loans from director	150,000	150,000
	<b>\$ 244,617</b>	<b>\$ 285,016</b>

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Subsequent to June 30, 2016, \$98,000 of the bridge loans due to a director were repaid.

### **Key Management Compensation**

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company, during the three and six months ended:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Salary	\$ 72,900	\$ 43,432	\$ 144,504	\$ 80,382
Management fees to former Management	10,500	-	21,000	-
Class A common share-based compensation accrued/paid	37,500	39,898	75,000	39,898
	<b>\$ 120,900</b>	<b>\$ 83,330</b>	<b>\$ 240,504</b>	<b>\$ 120,280</b>

Effective January 1, 2016 the Company amended its employment agreement with Anwar Sukkarie, an officer and director of the Company. Under the revised agreement Mr. Sukkarie's 2016 salary of \$222,000 shall be payable \$72,000 in cash and the balance by the issuance of a total of 749,999 common shares in two equal instalments. Further, Mr. Sukkarie shall be entitled to up to 3,499,999 common shares subject to meeting certain performance criteria. Further details of Mr. Sukkarie's employment agreement can be found in the Company's May 29, 2016 filing statement available on [sedar.com](http://sedar.com).

On May 29, 2016 the Company revised the terms of a royalty agreement that was previously entered into in 2014 with a corporation owned by employees of the Company with respect to the forgiveness of past salary. Under the revised agreement a royalty of up to \$1,150,000 is to be calculated quarterly and payable in common shares of the Company and the market value on the issue date. Directors and officers hold a beneficial interest of 70% of the royalty company and collectively have 33% voting interest. Further details of the royalty agreement can be found in the Company's May 29, 2016 filing statement available on [sedar.com](http://sedar.com).

### **9. Off Balance Sheet Arrangements**

On February 3, 2016 the Company entered into the Berytech Business Arrangement with Loop, as more particularly described under "Overall Performance – Business Arrangement", in the "Subsequent Events" note to the Saturna's audited financial statements for the year ended December 31, 2015, in the Company's unaudited financial statements for the six months ended June 30, 2016 and in the Company's Filing Statement dated May 29, 2016.

As of the date of this MD&A, BTFII has invested USD 610,000 to Loop pursuant to the Berytech Business Arrangement. The investment is comprised US \$590,000 of debt and US \$20,000 for a 40% interest in Loop. The Company has issued a warrant to BTFII, which provides BTFII with the right to acquire 4,223,030 common shares of the Company at a deemed exercise price of CAD \$0.20 per share (the "**Berytech Warrant**"). Consideration for the exercise of the Berytech Warrant will be comprised of Berytech's debt and equity interest in Loop. Berytech may exercise the Berytech Warrant at any time, however the Berytech Warrant will exercise automatically on February 3, 2019 if it still remains outstanding.

Subject to the approval of the parties, BTFII may invest a total of USD 2.5 million in Loop. In the event additional advances are made to Loop, it is expected that additional warrants will be issued for the purchase of the appropriate number of Shares at a deemed exercise price equal to the market price of the Company's common shares at the time the funds are advanced.

The Company has entered into an option agreement with Anwar Sukkarie providing the Company with the right to acquire his 59.995% interest in the equity in Loop for a price of USD 1.00 subject to the exercise of the Berytech Warrant. The remaining 0.005% is held by an unrelated individual.

## **10. Outstanding Share Data**

As at the date of this MD&A, the Company had 41,416,256 class A common shares, 2,901,918 share purchase warrants and 2,657,000 stock options are outstanding.

Pursuant to the employment agreement of an officer and director, up to 3,499,999 common shares may be issued pursuant to certain performance criteria being met. In addition, the officer and director has agreed to receive a portion of his salary payable in common shares. See note 8.

Pursuant to a royalty agreement the Company may pay royalties of up to \$1,150,000, calculated and payable quarterly in shares at the market price. See paragraph 8.

## **11. Risk Factors**

The Company's risk factors are set out in the Annual MD&A and in the Filing Statement that can be found at [www.sedar.com](http://www.sedar.com).

## **12. Non-IFRS Measures**

The Company uses EBITDA (earnings before interest, taxes, depreciation and amortization), a non-IFRS measure, to determine amounts due under the Royalty Agreement. Securities regulators require that issuers caution readers that measures adjusted to a basis other than IFRS do not have standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. EBITDA is presented solely as a supplemental disclosure in relation to the Royalty Agreement, in which EBITDA is defined as EBITDA after adding back non-recurring development costs.

## **13. Change in Accounting Policies**

IAS 1 – Presentation of Financial Statements – In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. The amended standard was adopted as of January 1, 2016 and had no impact on the financial results of the Company.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amended standard was adopted as of January 1, 2016 and had no impact on the financial results of the Company.

### **13. Accounting Standards and Amendments Issued but Not Yet Adopted**

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which are not yet effective during the six months ended June 30, 2016:

- (i) IFRS 9 ‘Financial Instruments: Classification and Measurement’ was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 Financial Instruments – Recognition and measurement for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). The effective date of these amendments has not yet been determined. The Company has not yet assessed the impact of the adoption of IFRS 9 on its financial performance or its financial position.
  
- (ii) IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its financial performance or its financial condition.

### **14. Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be obtained along with additional information at [www.sedar.com](http://www.sedar.com).