

LOOPShare Ltd.

Consolidated Financial Statements

December 31, 2017



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOOPShare Ltd.

We have audited the accompanying consolidated financial statements of LOOPShare Ltd., which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of LOOPShare Ltd. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about LOOPShare Ltd.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements of LOOPShare Ltd. for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2017.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
May 1, 2018

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(Expressed in Canadian Dollars)

		December 31, 2017	December 31, 2016
Assets	Note		
Current assets:			
Cash		\$ 3,238	\$ 302,929
Investments		-	2,000
Accounts receivable	5	112,785	36,138
Prepaid expenses and deposits	6	-	467,082
Inventory	7	191,494	267,700
Total current assets		307,517	1,075,849
Long term assets:			
Property and equipment,	8	86,605	122,621
Total Assets		\$ 394,122	\$ 1,198,470
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 757,151	\$ 412,937
Accrued compensation	12	353,043	-
Bridge loans	13,14	10,880	62,880
Deferred revenue		623,357	291,038
Due to related parties		299,987	143,724
Line of Credit		345,340	250,000
Loan payable to related party		402,000	250,000
Loans payable		151,750	-
Provisions		-	31,479
Total Liabilities		2,943,508	1,192,058
Shareholders' Equity (Deficiency)			
Class A common share capital	14	6,577,085	6,577,085
Obligation to issue class A common shares	14	75,000	75,000
Reserves		643,307	518,808
Deficit		(9,848,341)	(7,155,073)
Accumulated other comprehensive income (loss)		3,563	(9,408)
Total Shareholders' Equity (Deficiency)		(2,549,386)	6,412
Total Liabilities and Shareholders' Equity (Deficiency)		\$ 394,122	\$ 1,198,470

Going concern – note 2
Commitments – notes 10, 12, 19
Subsequent events – note 21

Approved by the directors:

“ANWAR SUKKARIE”

”SEAN BROMLEY”

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

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For The Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	For the Years ended December 31,	
	2017	2016
Revenue , note 16	\$ 264,993	\$ 613,266
Cost of Sales	441,417	216,099
Gross Margin	(176,424)	397,167
Expenses		
Operating expenses:		
Amortization	73,836	10,098
General and administrative, note 17	1,497,598	929,050
Finance costs	34,546	30,232
Research and development, note 17	704,719	412,297
Sales and marketing, note 17	273,477	113,316
Share-based compensation	124,499	595,112
Total expenses	2,708,675	2,090,105
Net loss before other items	(2,885,099)	(1,692,938)
Other items		
Currency exchange loss	(13,761)	(14,481)
Government grant income	205,592	-
Gain on settlement of debt	-	97,779
Loss on asset disposal	-	(9,698)
Loss from extinguishment of debt, note 14	-	(27,983)
Listing expense, note 11	-	(1,743,614)
Net Loss	\$ (2,693,268)	\$ (3,390,935)
Other comprehensive loss		
Foreign currency translation adjustment	12,971	(9,408)
Total Comprehensive Loss	(2,680,297)	(3,400,343)
Loss per share – basic and diluted	\$ (0.06)	\$ (0.11)
Weighted average number of common shares	41,791,256	30,506,693

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

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For The Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Share capital				Equity Component of Convertible Loan (\$)	Reserves				Accumulated Other Comprehensive Loss (\$)	Total (\$)
	Class A Common Shares	Amount (\$)	Preferred Shares	Amount (\$)		Stock Options (\$)	Warrants (\$)	Shares to be Issued (\$)	Deficit (\$)		
Balance, December 31, 2015	19,981,098	2,309,147	40,320	60,480	19,582	41,485	305,583	149,025	(3,764,138)	-	(878,836)
Share-based compensation – accrued compensation	680,047	137,025	-	-	-	-	-	(137,025)	-	-	-
Share-based compensation	-	-	-	-	-	181,920	-	-	-	-	181,920
Issued for services	2,130,325	441,015	-	-	-	-	-	(12,000)	-	-	429,015
Issuance of convertible debentures	-	-	-	-	7,137	-	-	-	-	-	7,137
Conversion of convertible debentures (note 15)	3,399,972	536,720	-	-	(26,719)	-	-	-	-	-	510,001
Redemption of preferred shares	-	-	(40,320)	(60,480)	-	-	-	-	-	-	(60,480)
Shares issued for cash, net (note 15)	6,875,000	1,296,079	-	-	-	-	26,696	-	-	-	1,322,775
Shares issued for services	1,397,074	279,415	-	-	-	-	-	-	-	-	279,415
Compensation shares to be issued (note 15)	-	-	-	-	-	-	-	150,000	-	-	150,000
Compensation shares issued (note 15)	375,000	75,000	-	-	-	-	-	(75,000)	-	-	-
Performance shares to be issued (note 15)	-	-	-	-	-	182,493	-	-	-	-	182,493
Exercise of warrants (note 15)	1,334,138	378,961	-	-	-	-	(305,583)	-	-	-	73,378
Reverse acquisition (note 11)	5,618,602	1,123,723	-	-	-	-	86,214	-	-	-	1,209,937
Comprehensive loss	-	-	-	-	-	-	-	-	(3,390,935)	(9,408)	(3,400,343)
Balance, December 31, 2016	41,791,256	6,577,085	-	-	-	405,898	112,910	75,000	(7,155,073)	(9,408)	6,412
Share-based compensation	-	-	-	-	-	124,499	-	-	-	-	124,499
Comprehensive loss for the year	-	-	-	-	-	-	-	-	(2,693,268)	12,971	(2,693,268)
Balance, December 31, 2017	41,791,256	6,577,085	-	-	-	530,397	112,910	75,000	(9,848,341)	3,563	(2,549,386)

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

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	For the Years ended December 31,	
	2017	2016
	\$	\$
<i>Operating activities:</i>		
Net loss for the year	(2,693,268)	(3,390,935)
Items not involving cash:		
Amortization	73,836	10,098
Share-based payments	124,499	595,112
Impairment of investment	2,000	-
Finance costs	-	30,232
Loss on asset disposal	-	9,698
Provision for onerous contract	-	31,479
Inventory write-off	-	7,778
Loss from debt extinguishment	-	27,983
Shares issued for services	-	708,430
Listing expense	-	847,242
Unrealized foreign exchange gains	-	(9,408)
Gain on conversion of convertible loans	-	(97,934)
Changes in non-cash working capital items related to operations:		
Accounts receivable	(76,647)	45,252
Prepaid expenses	467,082	(335,386)
Tax credits receivable	-	47,941
Accounts payable and accruals	710,228	170,744
Deferred revenue	332,319	291,038
Inventory	44,727	(66,904)
Cash used for operating activities	(1,015,224)	(1,077,540)
<i>Investing activities:</i>		
Purchase of license and equipment	(37,820)	(41,422)
Cash acquired on acquisition of Kenna	-	180,829
Cash from (used for) investing activities	(37,820)	139,407
<i>Financing activities:</i>		
Repayment of short-term loan	-	(365,112)
Line of credit drawn	345,340	
Proceeds from related parties	156,263	-
Proceeds from loans	303,750	-
Issuance of class A common shares, net	-	1,322,775
Issuance of promissory note	-	250,000
Exercise of warrants	-	73,378
Redemption of preferred shares	-	(60,480)
Cash from financing activities	753,353	1,220,561
Net increase (decrease) in cash	(299,691)	282,428
Cash, beginning of the year	302,929	20,501
Cash, end of the year	3,238	302,929

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

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

LOOPShare Ltd. (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’s head office, principal address and the registered and records office are located at 103 – 131 Water Street, Vancouver, BC V6B 4M3.

On June 28, 2016 the Company completed its reverse acquisition transaction (the “Reverse Acquisition Transaction”) with Saturna Green Systems Inc. (“Saturna”). Pursuant to the Reverse Acquisition Transaction, the Company acquired all of the issued and outstanding securities of Saturna, whereby former Saturna shareholders received 3.35 common shares of the Company for each Saturna Class A common share held (note 11). The Company, with Saturna as its wholly owned subsidiary, will now pursue the business of Saturna. The consolidated financial statements for the year ended December 31, 2016 include the results of operations of Saturna from January 1, 2016 and of the Company from June 28, 2016, the date of the RTO. The comparative figures are those of Saturna. 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.

Immediately prior to closing the Reverse Acquisition Transaction the Company 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 Reverse Acquisition Transaction. In conjunction with the closing of the Transaction, the Company has changed its name to “LOOPShare Ltd.”

Effective at the opening, Friday, July 8, 2016, the Company’s common shares commenced trading under the name LOOPShare Ltd. The Company is classified as a technology company. Effective at the opening on November 10, 2016, the Company’s trading symbol changed from LUP to LOOP.

2. STATEMENT OF COMPLIANCE

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the Company’s reporting for the year ended December 31, 2017. These consolidated financial statements were approved by the Board of Directors on May 1, 2018.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. The Company is dependent upon raising debt and equity financing to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to develop and deploy its TaaS technology, and settle liabilities. The Company has incurred losses since inception and expects to incur further losses in the development of its business. As at December 31, 2017 the Company had a net working capital deficiency of \$2,635,991 and a cumulative deficit of \$9,848,341.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. STATEMENT OF COMPLIANCE (continued)

Basis of Preparation (continued)

These factors represent a material uncertainty which casts significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

These consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed in the following table:

<u>Name</u>	<u>Country of Incorporation</u>	<u>% equity interest As at December 31, 2017</u>
Saturna Green Systems Inc.	Canada	100%
Loop Japan KK	Japan	100%

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis since inception, except for those assets and liabilities that are measured at fair value at the end of each reporting period. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue Recognition

The Company derives revenue from the sale of electric scooters, telematics hardware and software, as well as professional services associated with customizing its products. Software revenue includes licenses derived from software and software services. The Company recognizes revenue when the amount of revenue is fixed and determinable and it is probable that future economic benefits will flow to the entity.

Revenue from hardware sales and software license sales is recognized when the hardware is shipped or the software is delivered and when all significant contractual obligations have been satisfied. Revenue from software license sales is recognized upon delivery where there is evidence of an arrangement, the selling price is fixed or determinable and there are no significant remaining performance obligations.

Revenue from professional services is recognized as earned, based on performance according to specific terms of the contract or on the basis of the percentage of completion method where the revenue is reconcilable to services performed as a proportion of total services to be completed. Foreseeable losses, if any, are recognized in the year or period in which the loss is determined.

Revenue arrangements with multiple elements are reviewed in order to determine whether the multiple elements can be divided into separate units of accounting. If separable, the consideration received is allocated among the separate units of accounting based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units. Otherwise, the applicable revenue recognition criteria are applied to the revenue arrangement as a single unit.

Payment received in advance of revenue recognition is recorded as deferred revenue.

(b) Inventories

Inventories are stated at lower of production cost and net realizable value. Cost for all inventory is determined using the weighted average method which, for work in process and finished goods, includes the cost of material, variable direct labour and variable manufacturing overhead. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Materials and supplies inventory consists of consumable parts and supplies which are valued at lower of weighted average cost and net realizable value. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Net realizable value is defined as the selling price of the finished product less any provisions for obsolescence.

(c) Property and Equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided for over the estimated lives of the related assets based on annual rates as follows:

Computer Software	2 Years – Straight Line
Office and computer equipment	20% declining balance
Production Tooling	10 Years – Straight Line
Scooters	3 Years – Straight Line

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Share-Based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to share-based payment reserve. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Shares issued for services to non-employees are measured at the fair value of the equity instruments issued on the issuance date.

In connection with the Reverse Acquisition Transaction, the Company reserved for issuance class A common share pursuant to an employment agreement with an officer and director of the Company. Under the agreement the shares will be issued subject to certain performance criteria being met, provided that the agreement is not terminated. The fair value of the estimated number of PSUs awarded that are expected to eventually vest is determined as of the grant date and is recognized as share-based compensation expense over the period of performance on a rational systematic basis. Subsequently, these estimates are trued up for differences between the number of instruments expected to vest and the actual number of instruments vested.

(e) Warrants

When the Company issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black-Scholes Option Pricing Model.

(f) Provision

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current risk-free pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Current and Deferred Income Taxes

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the consolidated financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

(h) Foreign Currencies

The Company's reporting currency and the functional currency of is the Canadian dollar for Saturna and LOOPShare and Japanese Yen for Loop Japan KK.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's Japanese operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significant during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(i) Earnings or Loss per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the treasury share method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Assets

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred.

Held-to-maturity and loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Trade and other receivables, cash and loans receivable are classified as loans and receivables.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

(k) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss. Derivative liabilities are included in this category of financial liabilities.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Liabilities (continued)

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Accounts payable and accrued liabilities, accrued compensation, due to related parties, bridge loans, promissory note, short-term convertible debentures, and loan payable are included in this category of financial liabilities.

(l) Derivatives Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(m) Impairment of Financial Assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Assets carried at amortized cost

If there is evidence that the amortized cost of an asset is greater than the present value of the asset's future cash flows discounted at the asset's original effective interest rate, the Company records an impairment loss equal to the excess.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Derecognition of Financial Assets and Liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(o) Impairment of Non-Current Financial Assets

The carrying amounts of non-current non-financial assets are reviewed and evaluated for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. Non-current non-financial assets include property and equipment. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to recoverable value. The recoverable amount is the higher of an asset's "fair value less costs of disposal" and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined, with a cash-generating unit being the smallest identifiable group of assets and liabilities that generate cash inflows independent from other assets. "Fair value less costs of disposal" is determined as the amount that would be obtained from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties. In assessing "value-in-use", the future cash flows expected to arise from the continuing use of the asset or cash-generating unit in its present form are estimated using assumptions that an independent market participant would consider appropriate, and are then discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or unit. Where conditions that gave rise to a recognized impairment loss are subsequently reversed, the amount of such reversal is recognized into earnings immediately, though is limited such that the revised carrying amount of the asset or cash-generating unit does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in the prior period.

(p) Convertible Loans

The convertible loans were initially recorded at fair value and subsequently measured at amortized cost. The convertible loans were allocated between the debt and equity components using the residual method at the date of issuance and were recorded net of transaction costs. The debt component was accreted to the face value using the effective interest method, with the resulting charge recorded as accretion on convertible loan, which is included in interest on convertible loan in the consolidated statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Convertible Loans (continued)

In instances where the Company issues equity instruments to settle all or a part of the outstanding debt, the equity instruments are treated as consideration paid and are measured initially at fair value of the equity instruments issued, or when not reliably measurable, at the fair value of the financial liability extinguished.

Any difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss. If the financial liability is not fully extinguished, and terms related to the remaining portion have been modified, the Company allocates the consideration paid between the extinguished portion and the modified portion.

(q) New accounting standards

New accounting standards effective January 1, 2017

The Company has adopted the narrow scope amendments to IFRS 12 - Disclosure of Interests in Other Entities, IAS 7 - Statement of Cash Flows and IAS 12 - Income Taxes which are effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

New and amended accounting standards not yet effective for the year ended December 31, 2017

Revenue Recognition

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") 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 currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact that the adoption of this standard will have on the Company's financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this standard will not impact the Company's financial statements as currently the Company does not hold any financial instruments for which the underlying accounting will be impacted.

Leases

In January 2016, the IASB published a new accounting standard, IFRS 16 – Leases ("IFRS 16") IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. The Company does not have any material lease agreements and does not expect the adoption of this standard to materially impact its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Allowances for Doubtful Accounts

The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

(b) Inventory Valuation

The Company adjusts inventory values so that the carrying values do not exceed the net realizable value. The valuation of inventory at the lower of cost or net realizable value requires the use of estimates with regards to the amount of current inventory that will be sold, the prices at which it will be sold, and an estimate of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for products, obsolescence, change in product offerings, technology changes and competition.

(c) Determination of Functional Currency

The functional currency of each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

(d) Determination of Control

In determining whether the Company controls an entity, it considers all the relevant facts including voting control and contractual agreements. The Company controls an entity if it has the right and ability to direct the activities of the entity that would significantly affect its returns, and if the Company has exposure to variable returns. Determination of whether the Company has control involves judgement based on interpretation of agreements and identification and analysis of the relevant facts.

(e) Going Concern

Judgment is required in the determination that the Company will continue as a going concern for the next year (note 2).

(f) Determination of the Fair Value of Share-based Compensation

The company measures the cost of equity settled transactions with employees and non-employees by reference to the fair value of the related instrument at the date in which they are granted and fair value of services, respectively. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. In addition, the option pricing models used require management to make various estimates and assumptions in relation to the expected life of the awards, volatility and forfeiture rates. Significant judgement is required in estimating the number of performance shares that are expected to vest. This estimate is subsequently trueed up for differences between the number of instruments expected to vest and the actual number of instruments vested.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For The Years Ended December 31, 2017 and 2016

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)**(g) Derivative Liability**

Significant judgment and estimation is required in measuring the fair value of the derivative liability associated with the warrants that have an offsetting right to acquire an affiliate. These key estimates and judgements have been described further in note 10.

5. ACCOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 62,779	\$ 2,788
Sales Tax receivable	50,006	6,085
SR&ED Tax Credits receivable	-	27,265
	\$ 112,785	\$ 36,138

6. PREPAID EXPENSES AND DEPOSITS

	December 31, 2017	December 31, 2016
Deposit for inventory	\$ -	\$ 213,556
Deposit for property and equipment	-	37,512
Development services and software licenses	-	198,573
General expenses	-	17,441
	\$ -	\$ 467,082

7. INVENTORY

	December 31, 2017	December 31, 2016
Inventory parts	\$ 186,952	\$ 217,160
Finished goods	4,542	50,540
	\$ 191,494	\$ 267,700

8. PROPERTY AND EQUIPMENT

	As at December 31, 2017			As at December 31, 2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Scooters	\$ 15,671	\$ (4,288)	\$ 11,383	\$ 2,039	\$ (2,039)	\$ -
Computer Equipment	3,854	(3,854)	-	3,854	(3,854)	-
Office Furniture	3,955	(3,023)	932	3,955	(2,789)	1,166
Computer Software	90,425	(50,575)	39,850	90,425	(8,330)	82,095
Production Tooling	49,200	(14,760)	34,440	49,200	(9,840)	39,360
Total	\$ 152,082	\$ (40,005)	\$ 86,605	\$149,473	\$ (26,852)	\$ 122,621

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017		December 31, 2016	
Accounts payable	\$	757,151	\$	412,937
Accrued compensation		353,043		-
	\$	1,110,194	\$	412,937

10. POTENTIAL OBLIGATION TO ACQUIRE AFFILIATE

On February 3, 2016, the Company entered into a business arrangement with a Lebanese corporation (the "Affiliate") for joint product development and software licensing. The Affiliate will represent the Company exclusively in several territories for its scooter sharing business and will engage in certain related marketing activities and pay certain field trial expenses.

The Affiliate is owned 59.995% by a director/officer of the Company, 0.005% by an unrelated third party and 40% by Berytech Fund II (Holding) s.a.l., a Lebanese venture capital fund (the "Investor"). Investor has provided an aggregate of USD \$1,300,000 of funding to the Affiliate. Upon agreement by the Investor, the Affiliate and the Company, among others, the Investor may advance additional funds for a total of USD \$2.5 million on similar terms.

The Company issued to the Investor a three-year warrant to acquire 8,424,943 class A common shares that may be exercised by the Investor at any time for consideration comprised of the Investor's equity interest and the Investor's debt in the Affiliate. Therefore, the Company has a potential obligation to purchase the affiliate, should the Investor chose to exercise the warrant.

The Company will increase the number of warrant shares to reflect each additional investment made by the Investor at the prevailing market price at the time the funds are advanced to the Affiliate. The consideration upon exercise of the warrants is comprised of USD \$1,280,000 in loans payable by Loop s.a.l. to the Investor along with the Investor's equity interest in Loop s.a.l., which currently represents 40% of the issued capital of Loop s.a.l. The additional investment closed on November 14, 2016. See note 15 (f).

The derivative instrument's fair value is calculated using Level 3 inputs. The gain or loss on initial recognition of the derivative liability with Level 3 inputs is not recognized but deferred. Any loss arising from the subsequent re-measurement is recognized in the consolidated statement of net loss. Any gain from the re-measurement of the derivative instrument is only recognized to the extent of a recorded loss as the Investor would never exercise its right under these circumstances.

The value of the derivative instrument is calculated as follows:

A = B x C Less D, where

A – Fair value of Berytech's potential holdings in LOOPShare Ltd. post-exercise of warrants

B – Fair value of LOOPShare Ltd. (Enterprise value) plus the fair value of incremental cash flows post-acquisition of Loop s.a.l.

C – Berytech's potential share of LOOPShare Ltd.

D – Fair value of Loop s.a.l.

The incremental cash flows represent adjusted cash flows if Loop s.a.l. was consolidated with LOOPShare Ltd. (i.e. if Loop s.a.l. changed status from a franchisee and became a subsidiary (i.e., 100% owned) operation of LOOPShareLtd.).

LOOPShare Ltd.

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(Audited) (Expressed in Canadian Dollars)

10. POTENTIAL OBLIGATION TO ACQUIRE AFFILIATE (continued)

The key unobservable inputs that were used in the estimation of cash flows were as follows:

- 1) The expected geographic expansion of operations, based on cities identified by Management as having an opportunity for successful implementation of scooter sharing.
- 2) Determination of whether each geographic expansion would be LOOPShare-operated or franchise-operated.
- 3) Probability factor assessed for each city, to adjust the expected opportunity for the probability of successful implementation within each city.
- 4) Projected revenues and expenses in LOOPShare from the planned expansion into each city, determined using assumptions, including but not limited to, weather coefficient, sharing culture, population, congestion, transit coefficient, direct costs to acquire scooters for LOOPShare Ltd.
- 5) The number of scooters required to earn the projected revenues, calculated based on the expected members and usage in each city.
- 6) The appropriate discount rate for Loop s.a.l.

The resulting value of the derivative instrument could differ significantly based on changes in the underlying assumptions used, potentially having a material future impact on the Company's consolidated financial statements.

The resulting value of the derivative instrument could differ significantly based on changes in the underlying assumptions used, potentially having a material future impact on the Company's consolidated financial statements.

Date	Derivative instrument value
Initial recognition date	\$719,000
Gain since inception	(96,000)
December 31, 2016	\$623,000
Loss for the year	820,106
December 31, 2017	\$1,443,106

This loss position of \$719,000 is not recognized on initial recognition in accordance with IAS 39 AG76 therefore the Company has deferred this difference.

Subsequent gains from re-measurement of the derivative instrument are not recognized in the financial statements as it results in recognition of a derivative asset. A derivative asset should not be recognized as the Berytech warrants would never be exercised if the derivative instrument is in a gain position. This is predicated on the assumption that a Market participant would sell the underlying business to a third party instead of exercising the warrants in the LOOPShare Ltd. to avoid the loss of this value differential. The change in derivative instrument value is primarily due to the change in the market price of LOOPShare Ltd.'s common share.

11. REVERSE ACQUISITION 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 class A common shares 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 securities of the Company are reported retroactively to reflect the exchange ratio of 3.35 Company common shares exchanged for each Saturna class A common share.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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11. REVERSE ACQUISITION TRANSACTION (continued)

The Company, with Saturna as its wholly owned subsidiary, will now pursue the business of Saturna as described in note 1.

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	Issue Price	Share Capital
Class A common shares issued and outstanding, June 28, 2016	6,282,506		
Conversion of debentures ⁽¹⁾	1,014,917	\$0.5025	\$510,000
Settlement of accrued compensation (note 12)	73,157	\$0.67	\$49,015
Finder's fees paid to Fortuna Investment ⁽²⁾	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⁾ 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. See note 14 (e).

⁽²⁾ 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.

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.

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 \$52,225 along with 254,800 non-transferable broker warrants in connection with the private placement with a fair value of \$26,696. 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 using volatility of 129%, risk-free rate of 0.56%, and dividend rate of nil%.

As a result of the Transaction, and prior to the private placement, 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 Transaction.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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11. REVERSE ACQUISITION TRANSACTION (continued)

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:

Consideration paid		
5,618,617 common shares ⁽¹⁾	\$	1,123,723
2,647,617 warrants ⁽²⁾		86,214
Total consideration paid		1,209,937
Less: settlement of pre-existing loan ⁽³⁾		250,000
Net Consideration		959,937
Less: Value of net assets		
Cash		180,829
Amounts receivable		22,481
Trade and other payables		(90,615)
Net assets acquired		112,695
Fair value of consideration paid in excess of net assets acquired	\$	847,242
Other listing expenses		
Finders' shares		579,415
Finders' fee paid in cash		120,000
Legal expenses		171,350
Filing fees		13,747
Marketing fees		11,860
		896,372
Total listing expenses, December 31, 2016	\$	1,743,614

(1) Common shares of the Company prior to completion of the Transaction, valued at \$0.20 per class A common share, being the price of the private placement.

(2) Warrants issued in exchange for Kenna warrants on the basis of 1:1.4695 considered as additional consideration. These warrants were measured as of June 28, 2016 and the fair value of \$86,214 was determined using the Black Scholes option pricing model with volatility of 110.17%, risk-free rate of 0.50% and dividend rate of nil%.

(3) The Company (formerly Kenna Resources Corp.) advanced \$250,000 to Saturna as bridge financing prior to the Transaction. Given this pre-existing relationship these amounts were effectively settled upon the closing of the Transaction.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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(Audited) (Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS**Key Management Compensation**

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

	Years ended December 31,	
	2017	2016
Salary	\$ 271,000	\$ 335,750
Class A common share-based compensation accrued/paid	62,288	404,197
	\$ 333,288	\$ 739,947

The following amounts are payable to related parties as at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Companies controlled by directors	\$ 3,537	\$ 3,649
Accrued compensation (note 12)	270,060	-
Expenses incurred on behalf of Company owing to directors and officers	26,390	25,213
Due to directors and officers	-	114,862
	\$ 299,987	\$ 143,724

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended December 31, 2016, short-term loans due to a director and officer of the Company in the amount of \$98,000 were repaid.

As at December 31, 2017, the Company has bridge loans due to a director and officer of the Company in the amount of \$187,000 (2016 - \$52,000).

As at December 31, 2017, the Company has an obligation to issue class A common shares to a director and officer of the Company in the amount of \$75,000 (2016 - \$75,000).

12. RELATED PARTY TRANSACTIONS (continued)

Performance Shares

As of December 31, 2017 the number of shares expected to vest was 3,499,999. The performance shares have no set expiry date, but will terminate if the employment contract is terminated. The fair value of the performance shares was based on an estimated vesting period of 1.5 years for the first performance condition and 2.5 years for the second performance condition, and the market price of the common shares of \$0.20 for total fair values of \$300,000 and 400,000, respectively. Share-based compensation of \$54,502 for the year ended December 31, 2017 (2016 - \$182,493) was recorded in the consolidated statement of loss.

Royalty Arrangement

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 (the “Royalty Max”) 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.

The revised royalty agreement provides that the royalty will accrue as set out in the table below.

Number of cities to which 55 or more scooters were shipped	Value of royalty
The first (3) cities, in aggregate	\$69,000
Each one (1) subsequent city	\$34,500

Such royalty amounts will be settled in Shares at a price per share equal to the greater of \$0.13 per share and the market price per share, where “market price” is defined as a price equal to the Resulting Issuer’s 10 day volume weighted average price on the Exchange. The number of Common Shares of the Resulting Issuer issuable pursuant to the agreement will be determined on each of:

- December 31, 2017, in respect of scooters shipped prior to December 31, 2017 (the “**First Record Date**”);
- December 31, 2018, in respect of scooters shipped in the preceding year (the “**Second Record Date**”); and
- December 31 of each subsequent year, in respect of scooters shipped in the preceding year, until the Royalty Max is achieved.

If (i) the value of the Shares calculated on the First Record Date or Second Record Date fall below \$300,000 or \$850,000, respectively, and (ii) the Company has generated positive EBITDA (as defined below) in the fiscal year preceding the applicable record date, then the royalty payable effective each of the First Record Date and the Second Record Date will be increased, only to the extent of 15% of such positive EBITDA, payable in cash or settled by the issuance of Shares, at the option of the Company. “EBITDA” means net earnings before interest, depreciation and taxes, and before non-recurring expenses, engineering costs, software development costs, design costs, research and development costs, commercialization costs including filing of patents and certifications.

The royalty agreement has been treated as a contingent liability based on a future outcome and for which the payment is not probable, nor can it be measured reliably. At such time that the amount of the royalty can be calculated and it is probable that it will be due, the liability and expense will be recorded.

LOOPShare Ltd.

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13. LOANS, SHORT TERM

- (a) During the year ended December 31, 2014, the Company issued convertible debentures (“the Debentures”) in an aggregate principal amount of \$360,000 bearing interest at a rate of 10% per annum. During the year ended December 31, 2016 a bridge loan of \$100,000 was exchanged for a convertible debenture, effective retroactively from May 30, 2014, being the date that the funds were received. The bridge loan was non-interest bearing with no stated terms of repayment. Also during the year ended December 31, 2016 the Company amended two six-month \$25,000 convertible debentures retroactively from May 27, 2014 and June 12, 2014, being the dates the funds were received, to reflect the material terms of the Company’s Debentures including the interest rate and conversion terms. The issuance/amendment of these loans was treated as a debt extinguishment and the loss on the extinguishment of these loans in the amount of \$27,983 was charged to net loss during the year ended December 31, 2016. On June 28, 2016 the total principal amount of debentures outstanding was \$510,000.

Pursuant to the Debentures, the Company had the right to force the conversion of the principal amounts outstanding under the Debentures within 90 days of a liquidity event, the definition of which included the Company’s reverse takeover Transaction. The Company forced the conversion of the principal amounts under the Debentures at a 25% discount to the fair value of the class A common shares, based on the value determined pursuant to the Transaction. Accrued interest was forgiven in consideration of the 25% discount applied to the conversion of the principal amounts.

- (b) For accounting purposes, the Debentures contain both a liability component and an equity component, being the lender’s conversion option to class A common shares, which were separately presented on the consolidated statement of financial position. The Company allocated the principal of the Debentures of \$510,000 to the individual liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component. As at December 31, 2015 the fair value of the liability component of \$456,857 was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 13% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders. The remaining \$19,582 was recorded as the equity portion. Including the impact of the costs of issuance, applying the effective interest method, the liability component of the Debentures bore an effective annual interest rate of 13%. For the year ended December 31, 2017, the Company recognized accreted interest of \$nil (2016 - \$30,232). The short-term convertible debentures were converted at the option of the Company immediately prior to completion of the reverse take-over transaction. The short-term convertible debentures balance as at December 31, 2017 and 2016 is \$nil. See note 15.
- (c) On February 3, 2016 the Company repaid a short-term non-interest bearing promissory note in the amount of \$276,800.
- (d) On March 21, 2016 the Saturna issued a short term promissory note to the Company in the amount of \$100,000, the proceeds of which were to provide general working capital until closing the reverse takeover and financing transaction. On April 27, 2016 Saturna issued an additional promissory note to the Company in the amount of \$150,000 on the same terms. Upon closing the RTO Transaction these loans were eliminated in the consolidated financial statements of the Company.
- (e) At June 28, 2016 the Company converted its debentures (the “Debentures”) with an aggregate principal amount of \$510,000 into 3,399,972 common shares. The debenture accrued interest at a rate of 10% per annum payable at maturity. There was no consideration paid for interest, resulting in a gain on conversion of \$97,779.

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13. LOANS, SHORT TERM (continued)

- (f) On November 26, 2016, the Company issued a short-term promissory note in the amount of \$250,000. The loan bears no interest and is payable from the proceeds of a future financing in an amount equal to or greater than \$1 million.

On May 17, 2017, the Company received a non-interest bearing bridge loan in the amount of \$25,000 from a Director and Officer of the Company. The loan has no maturity date and no stated terms of repayment.

- (g) Bridge loans outstanding as at December 31, 2017 total \$197,880 (2016 - \$62,880) comprised of loans from employees of the Company of \$10,880 (2016 - \$10,880) and a bridge loan of \$187,000 (2016 - \$52,000) due to a director and officer of the Company. On March 7, 2017 the Company issued a non-interest bearing promissory note in the amount \$75,000 to Anwar Sukkarie, President and CEO of LOOPShare, the proceeds of which will be used for general working capital. This promissory note will be payable on the earlier of March 7, 2018 and from the proceeds of a financing in the minimum amount of \$1 million.
- (h) During the year ended December 31, 2017 the Company's Japan subsidiary received a loan in the amount of 31 million Japanese Yen (\$345,340). The loan bears interest at 2.5% per annum and matures on April 2, 2018.
- (i) During the year ended December 31, 2017, the Company received a loan from Oceanside Strategies Inc. ("Oceanside") in the amount of \$150,000 plus accrued interest of \$1,750.

The loan has a six-month term and bears interest at a rate of 10% per annum, calculated and compounded monthly based on the number of days actually elapsed in a 365-day year, and payable on the maturity date. In consideration for the loan, the Company agreed to issue to Oceanside a bonus of 3,000,000 non-transferable share purchase warrants. Each warrant entitles Oceanside to purchase one additional common share of the Company at a price of \$0.05 per warrant share for a period of one year from the date the loan is advanced.

14. SHARE CAPITAL AND RESERVES

- (a) Authorized

An unlimited number of class A common shares without par value, class B common shares without par value, class C common shares without par value, and preferred shares without par value.

- (b) Issued Share Capital

As at December 31, 2017 there were 41,791,256 (2016 - 41,791,256) issued and fully paid class A common shares, Nil class B common shares, Nil class C common shares and Nil (2016 - Nil) issued and fully paid preferred shares outstanding.

On June 28, 2016 the Company redeemed 40,320 preferred shares for cash of \$60,480. The completion of the Transaction triggered a liquidity event under the preferred share agreement and provided the holder with the right to force redemption.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (continued)

(b) Issued Share Capital (continued)

At June 28, 2016 in connection with the Company Reverse Acquisition Transaction, 12,985,771 class A common shares were held in escrow by the Escrow Agent pursuant to a Security Escrow Agreement. 804,938 class A common shares were released from escrow after the issuance of the final exchange bulletin leaving a remaining balance of 12,180,833 class A common shares held in escrow on December 31, 2016. Shares will be released from escrow every six months following the date of the Final Exchange Bulletin. During the year ended December 31, 2017 a further 1,329,402 class A common shares were released from escrow leaving a remaining escrow balance of 10,122,661 class A common shares. If the Company meets the TSX venture exchange Tier 1 minimum listing requirements the release of the escrowed Common Shares will be accelerated.

Pursuant to Reverse Acquisition Transaction, 25 Saturna shareholders agreed to voluntary resale restrictions for their shares, over and above those imposed by applicable securities laws. These voluntary resale restrictions place an absolute restriction on the ability of applicable shareholders to resell their class A common shares. The resale restrictions will be released in four equal tranches four, eight, twelve and sixteen months from June 28, 2016 being the date the Reverse Acquisition transaction closed. A total of 9,359,952 Common Shares of the Resulting Issuer were subject to these voluntary resale restrictions immediately after the Reverse Acquisition transaction closed. As at December 31, 2017, 7,019,964 class A common shares remained subject to this voluntary resale restriction.

(c) Share Issuances

The following class A common shares were issued for services during the year ended December 31, 2016:

- On January 12, 2016 the Company settled its obligation to issue 50,250 class A common shares to a consultant as payment for financial advisory services rendered during the year ended December 31, 2015 in the amount of \$12,000.
- On January 12, 2016 the Company issued 335,000 class A common shares as consideration of business development services expensed in the three months ended March 31, 2016 in the amount of \$80,000.
- On June 28, 2016, the Company settled its obligation to issue 245,076 class A common shares for accrued remuneration of \$49,015 relating to services performed during the year ended December 31, 2012.
- On June 28, 2016 the Company paid a finder's fee with respect to the Reverse Acquisition Transaction in the amount of \$300,000 by the issuance of 1,500,000 class A common shares.

On February 15, 2016 the Company settled its obligation to issue 680,047 class A common shares for services performed during the year ended December 31, 2015. Of this amount 330,283 shares were issued to director and officers of the Company.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. SHARE CAPITAL AND RESERVES (continued)

(c) Share Issuances (continued)

During the year ended December 31, 2016, upon completion of the Reverse Acquisition 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 Reverse Acquisition 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 valued at \$26,696 using volatility of 129%, risk-free rate of 0.56% and dividend rate of nil%. 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.

During the year ended December 31, 2016, the Company issued 3,399,972 common shares for the conversion of its convertible debentures in the aggregate principal amount of \$510,000. The Company reported a gain on conversion of \$97,779.

During the year ended December 31, 2016, 1,334,138 class A common shares were issued at \$0.055 per share for proceeds of \$73,378 pursuant to the exercise of warrants.

During the year ended December 31, 2016, the Company issued 375,000 class A common shares pursuant to an employment agreement in the amount of \$75,000. (note 15(f)).

(d) Stock Options

Options to purchase class A common shares may be granted to directors, consultants, officers and employees of the Company for terms up to five years at a price at least equal to the market price prevailing on the date of the grant.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (continued)

(d) Stock Options (continued)

The continuity of the stock options for the years ended December 31, 2017 and 2016 is as follows:

	Options	Weighted Average Exercise Price
Balance, December 31, 2015	551,075	\$ 0.316
Granted	2,584,000	0.200
Expired	(201,000)	0.149
Cancelled	(350,075)	0.418
Balance, December 31, 2016 and 2017	2,584,000	\$ 0.200

During the year ended December 31, 2016, the fair value of the options has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 0.52% to 0.54%, an expected life of 3-5 years, an expected volatility of 85.48% to 86.18%, and no expected dividends. The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

On July 8, 2016, the Company has reserved for issuance a total of 2,657,000 Class A common shares of the corporation pursuant to the grant of incentive stock options and entered into a contract for investor relations services.

1,862,000 five-year incentive stock options, exercisable at a price of \$0.20 per Share, have been granted to directors, officers, employees and consultants of the Corporation. Included in the options granted are 1,200,000 options for directors and officers, 637,000 options for employees and 25,000 options for a consultant, each vesting in equal amounts each month over 36 months from the grant date. The remaining 150,000 options were granted to consultants and vest in equal amounts each quarter over 12 months from the grant date.

An additional 500,000 five-year incentive stock options, exercisable at a price of \$0.20 per Share, have been granted pursuant to a one-year contract with Dolce Vita Investment Corp. ("Dolce Vita") to provide investor relations services for the Corporation. 25% of the options vested upon the grant date, with a further 25% vesting at the end of each six-month period thereafter.

On September 28, 2016, the Company has granted incentive stock options to acquire 72,000 common shares to newly appointed chief operating officer/chief technical officer. The options are granted in connection with an employment agreement announced previously on August 9, 2016. Each option entitles the holder to acquire one common share at a price of 20 cents for a period of five years from the grant date. The options vest in equal monthly instalments over 36 months.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (continued)

(d) Stock Options (continued)

Details of options outstanding and exercisable at December 31, 2017 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
2,512,000	635,333	\$0.200	July 6, 2021	\$0.200	3.50
72,000	6,000	\$0.200	September 28, 2021	\$0.200	3.73
2,584,000	641,333			\$0.200	3.51

For the year ended December 31, 2017 the Company recorded expense in the amount of \$124,499 in respect of incentive stock options (2016 - \$181,920).

(e) Warrants

The continuity of the warrants for the years ended December 31, 2017 and 2016 is as follows:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2015 ⁽¹⁾	1,334,138	\$ 0.055
Exercised	(1,334,138)	0.055
Balance, December 31, 2016	-	\$ -
Granted ⁽²⁾	2,901,918	0.310
Granted ⁽³⁾	3,000,000	0.050
Expired	(2,647,107)	0.310
Balance, December 31, 2017	3,254,811	\$ 0.178

⁽¹⁾In connection with the March 20, 2015 private placement, the Company issued 1,334,138 class A common share purchase warrants. Each warrant entitled the holder to purchase, on or before March 20, 2020, one class A common share at the following exercise prices:

- (i) On or before March 20, 2017, \$0.06 per class A common share;
- (ii) After March 20, 2017 and on or before March 20, 2018, \$0.119 per class A common share;
- (iii) After March 20, 2018 and on or before March 20, 2019, \$0.299 per class A common share; and
- (iv) After March 20, 2019 and on or before March 20, 2020, \$0.597 per class A common share.

Pursuant to the Reverse Acquisition Transaction and resulting listing of the Company's class A common shares on a public stock exchange, the holders had the right to exercise the warrants at a 10% discount to the prevailing exercise price. During the year ended December 31, 2016 all of the 1,334,138 warrants were exercised at \$0.055 per share.

⁽²⁾In connection with the RTO transaction, warrants outstanding prior to closing the RTO Transaction were assumed by the Company. Kenna Resources warrants were exchanged for 2,647,118 LOOPShare warrants on the basis of 1.4695 Kenna warrant for 1 LOOPShare warrant. Pursuant to the completion of the Transaction, the expiry dates of 887,073 and 1,198,654 of these warrants were adjusted to May 15, 2017 and December 18, 2017, respectively.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (continued)

(e) Warrants (continued)

On June 28, 2016, in connection with the Company's private placement, 254,800 broker warrants valued using Black-Scholes Option Pricing Model at \$26,696 were issued, each warrant entitling the holder to acquire one class A common share at a price of \$0.37 for two years.

⁽³⁾During the year ended December 31, 2017, in consideration for the loan received from Oceanside, the Company issued to Oceanside a bonus of 3,000,000 non-transferable share purchase warrants. Each warrant entitles Oceanside to purchase one additional common share of the Company at a price of \$0.05 per warrant share for a period of one year from the date the loan is advanced.

(f) Obligation to Issue Common Shares

At December 31, 2016 the Company had an obligation to issue 8,424,943 class A common shares pursuant to warrant, the consideration for which is a 40% interest in the Company's affiliate, Loop s.a.l., along with loans in the amount of US \$1,280,000. Upon exercise of the warrant the Company will have the option to acquire a further 59.995% interest in Loop s.a.l. for US \$1.00.

The warrant was issued in two installments:

- On February 3, 2016 the Company issued a warrant to acquire 4,223,030 class A common shares, pursuant to the holders investment of US \$610,000 in Loop s.a.l., of which US \$20,000 was invested as equity and US \$590,000 was invested as a shareholder loan; and
- On November 14, 2016 the holder invested a further US \$690,000 as shareholder loans. The Company cancelled the warrant to acquire 4,223,030 class A common share in exchange a replacement warrant entitling the holder to acquire 8,424,943 class A common shares.

The Holder may exercise the right to exercise this warrant at any time, and provided that the warrant is outstanding at February 3, 2019 and that the holder continues to hold its shares in the affiliate, the warrant will be automatically exercised. The holder has registered a charge against the intellectual property of the Company's wholly owned subsidiary, Saturna Green Systems Inc., as security for the Company's obligation under the warrant. Upon exercise of the warrant the holder must execute a transfer agreement providing for the transfer of the securities and debt to the Company.

Pursuant to Mr. Sukkarie's employment agreement a portion of his remuneration was agreed to be paid by the issuance of 749,999 class A common shares ("Compensation Shares"), 375,000 payable on or after June 30, 2016 and the remainder payable on or after December 31, 2016. During the year ended December 31, 2016 the Company issued 375,000 class A common shares valued \$75,000 to Mr. Sukkarie and the balance of \$75,000 or 374,999 class A common shares remains issuable.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (continued)

(g) Performance Shares

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 ("Performance Shares") subject to meeting the following performance criteria.

Aggregate number of cities to which 55 or more scooters of the Resulting Issuer are shipped	Number of Performance Shares to be issued
Three (3)	1,499,999
Six (6)	2,000,000
Total	3,499,999

As of December 31, 2017 the number of shares expected to vest was 3,499,999. The performance shares have no set expiry date, but will terminate if the employment contract is terminated. The fair value of the performance shares was based on an estimated vesting period of 1.5 years for the first performance condition and 2.5 years for the second performance condition, and the market price of the common shares of \$0.20 for total fair values of \$300,000 and 400,000, respectively. Share-based compensation of \$54,502 for the year ended December 31, 2017 (2016 - \$182,493) was recorded in the consolidated statement of loss.

15. INCOME TAXES

Taxation in the Company and its subsidiaries' operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	For the Years ended December 31,	
	2017	2016
Loss before income taxes	\$ (2,693,268)	\$ (3,390,935)
Tax recovery based on the statutory rate of 26%	(700,000)	(882,000)
Impact of tax rates in foreign jurisdictions	(42,000)	-
Non-deductible items and other	338,000	636,000
Transfer on merger	-	(240,000)
Share issuance costs	-	-
Impact of over provision in the prior year	-	(380,000)
Change in unrecognized deferred income tax assets	404,000	866,000
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	For the Years ended December 31,	
	2017	2016
Non-capital loss carry-forwards	\$ 1,812,000	\$ 1,412,000
Share issuance costs	-	3,000
Capital assets	-	(7,000)
Inventory	-	-
Unrecognized deferred tax assets	(1,812,000)	(1,408,000)
Net deferred tax asset	\$ -	\$ -

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

As at December 31, 2017, the Company has estimated non-capital losses of \$6,805,000 (2016 - \$5,285,050) for Canadian income tax purposes that may be carried forward to reduce taxable income expiring in various amounts starting from 2029 to 2037.

16. REVENUE

Revenue for the year ended December 31, 2017 was \$264,993 with \$23,918 (2016 - \$52,353) from engineering services, \$nil from the sale of software license (2016 - \$403,969) and \$241,075 (2016 - \$156,944) from product sales.

During the year ended December 31, 2017, \$18,867 (2016 - \$478,347) of revenue was attributable to the Company's affiliate company, Loop s.a.l.

Revenue for the year ended December 31, 2017 was derived 14% from the Middle East and 86% from USA. Revenue for the year ended December 31, 2016 was derived 78% from the Middle East and 22% from USA.

17. EXPENSES BY NATURE

For the Year Ended December 31, 2017

	General and Administration	Research and Development	Sales and Marketing
Office expense	\$ 294,016	\$ 207,896	\$ 8,054
Accounting and legal	212,583	-	-
Consulting	80,898	149,559	184,667
Personnel	900,624	311,830	73,755
Travel	9,477	35,434	7,000
Totals	\$ 1,497,598	\$ 704,719	\$ 273,476

For the Year Ended December 31, 2016

	General and Administration	Research and Development	Sales and Marketing
Office expense	\$ 125,142	\$ 17,095	\$ 2,958
Accounting and legal	85,796	-	-
Consulting	119,044	76,998	26,242
Personnel	561,849	306,554	74,699
Travel	37,219	11,650	9,417
Totals	\$ 929,050	\$ 412,297	\$ 113,316

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For The Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit loss is the book value of its financial instruments. The Company's cash and cash equivalents is deposited with a major Canadian chartered bank and is held in highly-liquid investments. The Company's receivables consist of taxes receivable and other receivables which represents the maximum credit risk for receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2017 the Company had a cash balance of \$3,238 (2016 - \$302,929) to settle current liabilities of \$2,994,982 (2016 - \$1,192,058).

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's sales are in US Dollars and the Company's manufacturing costs are largely denominated in US Dollars, providing a natural hedge against the risk of foreign exchange fluctuations. However due to long lead times for parts used in manufacturing the Company's products, the Company is exposed to the risk of foreign currency fluctuations over time. The Company is also exposed to fluctuations in foreign currencies through its operations in Japan. The Company monitors this exposure but has entered into no formal hedge agreements.

As at December 31, 2017 and 2016, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies, converted to Canadian Dollars at the prevailing rate at the end of each of the reporting periods:

	December 31, 2017		December 31, 2016	
	US Dollars	Japanese Yen	US Dollars	Japanese Yen
Cash	2,305	655	202,911	11,985
Accounts receivable	132,300	43,645	1,300	1,031
Accounts payable	6,396	143,676	142,254	15,897
Total	141,001	187,976	346,465	28,913

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash and cash equivalent investments are not subject to interest rate risk. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and amounts owing being non-interest bearing or bearing fixed rates of interest.

LOOPShare Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy, fund research and development, engage in sales and marketing activities, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity and short term loans. The Company uses capital to finance operating losses, capital expenditures, and increases in non-cash working capital. The Company currently funds these requirements from cash raised through share issuances and short-term debt as required. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity help build its portfolio of successful ridesharing businesses from which it will obtain returns on investment.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the period.

Fair Value of Financial Instruments

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair values of the Company's cash and cash equivalents constitutes a Level 1 fair value measurement. The fair value of the Company's receivables, due to related parties, and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature. The promissory notes outstanding is recorded at amortized cost.

Valuation methodologies used in the measurement of fair value for Level 3 financial liabilities

The fair value of the derivative liabilities associated with the warrants with an offsetting right to acquire the affiliate are included in Level 3 as the valuation parameters on these instruments are not based on observable market data.

LOOPShare Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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19. COMMITMENTS

At December 31, 2017 the Company had the following outstanding commitments:

Commitment	Year ending December 31, 2018	Year ending December 31, 2017
Office lease	\$ 32,778	\$ 131,112
Inventory, parts	158,839	-
Inventory, scooters	639,507	-
Other	-	-
Total commitments	\$ 831,124	\$ 131,112

In order to ensure the Company is able to meet demand for its scooters and touch screen devices, it enters into purchase commitments. The commitments are primarily made for parts with long lead times or high minimum order quantities. Purchase commitments for scooters and parts not yet received are reported net of deposits made. At December 31, 2017 commitments to purchase parts inventory relate mainly to screens.

20. SEGMENT REPORTING

The Company operates in one operating segment. Its primary operations include the development and commercialization of hardware and software that is installed on two wheel electric vehicles. During the year ended December 31, 2017, the Company had not commenced earning revenues from its scooter sharing operations. The Company's management evaluates the business of the company in the aggregate, including capital requirements and expenditures.

The Company has operations in Vancouver, British Columbia and Tokyo, Japan. The Company's Japanese business unit comprised 15% of the total assets of the Company. The remaining assets are held in Canada.

21. SUBSEQUENT EVENTS

On February 26, 2018, the Company closed its private placement of \$187,500. The private placement is a non-brokered offering of 750,000 units of the Issuer (the "Units"), at a price of \$0.25 per Unit. Each Unit will be comprised of one Common "A" Share and one common share purchase warrant (a "Warrant"), each Warrant being exercisable to acquire one Common Share at a price of \$0.05 per Common "A" Share for a period of one year following the closing date of the private placement.