

# **LOOPShare Ltd.**

## **Condensed Consolidated Interim Financial Statements**

Unaudited

For the Six Months Ended June 30, 2018 and 2017

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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**LOOPShare Ltd.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**UNAUDITED**

As at June 30, 2018 and December 31, 2017  
(Expressed in Canadian Dollars)

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 13,612	\$ 3,238
Accounts receivable, note 5	33,425	112,785
Prepaid expenses and deposits, note 6	22,004	-
Investments	2,000	-
Inventory, note 7	191,494	191,494
<b>Total current assets</b>	<b>262,535</b>	<b>307,517</b>
Long term assets:		
Property and equipment, net, note 8	73,680	86,605
<b>Total long-term assets</b>	<b>73,680</b>	<b>86,605</b>
<b>Total Assets</b>	<b>\$ 336,215</b>	<b>\$ 394,122</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,090,367	\$ 757,151
Accrued compensation, note 9	482,212	353,043
Bridge loans, notes 13,14	10,880	10,880
Deferred revenue	623,357	623,357
Due to related parties	307,715	299,987
Line of credit	166,341	345,340
Loan payable to related party	375,000	402,000
Loan payable	151,750	151,750
<b>Total current liabilities</b>	<b>3,207,622</b>	<b>2,943,508</b>
<b>Total Liabilities</b>	<b>3,207,622</b>	<b>2,943,508</b>
<b>Shareholders' Deficiency</b>		
Class A common share capital, note 14	6,744,928	6,577,085
Obligation to issue class A common shares, note 14	75,000	75,000
Reserves	686,927	643,307
Deficit	(10,330,405)	(9,848,341)
Accumulated other comprehensive income (loss)	(47,857)	3,563
<b>Total Shareholders' Deficiency</b>	<b>(2,871,407)</b>	<b>(2,549,386)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 336,215</b>	<b>\$ 394,122</b>

Going concern – note 2  
Commitments – notes 10,12,18  
Subsequent events – note 20

Approved by the directors:

“ANWAR SUKKARIE”

”SEAN BROMLEY”

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

**LOOPShare Ltd.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE**  
**INCOME (LOSS)**  
**UNAUDITED**

For The Three and Six Months Ended June 30, 2018 and 2017  
(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<b>Revenue</b> , note 15	\$ -	\$ 35,205	\$ -	\$ 83,027
<b>Cost of Sales</b>	-	36,172	-	78,632
<b>Gross Margin</b>	-	(967)	-	4,395
<b>Expenses</b>				
Operating expenses:				
Amortization	5,295	10,995	12,425	13,773
Debt issue expense, note 14	-	-	1,053	-
General and administrative, note 16	12,064	425,199	367,990	848,870
Finance costs, note 13	-	7,771	-	7,838
Research and development, note 16	240,136	214,915	327,653	353,679
Sales and marketing, note 16	55,720	71,695	101,691	104,149
Share-based compensation, note 14	10,442	34,135	23,963	81,103
Total expenses	323,657	764,710	834,775	1,409,412
Net loss before other items	(323,657)	(765,677)	(834,775)	(1,405,017)
Other items:				
Currency exchange loss	(46,213)	(9,381)	(53,891)	(747)
Gain on sale of land	35,000	-	35,000	-
Other income	-	2,174	-	2,174
Government grant income	371,602	-	371,602	205,592
<b>Net Income (Loss)</b>	<b>36,732</b>	<b>(772,884)</b>	<b>(482,064)</b>	<b>(1,197,998)</b>
Other comprehensive income (loss)				
Foreign currency translation adjustment	(34,037)	13,350	(51,420)	(2,872)
<b>Total Comprehensive Income (Loss)</b>	<b>2,695</b>	<b>(759,534)</b>	<b>(533,484)</b>	<b>(1,200,870)</b>
<b>Earnings (Loss) per share – basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares</b>	<b>42,541,256</b>	<b>41,791,256</b>	<b>42,307,923</b>	<b>41,791,256</b>

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

**LOOPShare Ltd.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
**UNAUDITED**  
For The Six Months Ended June 30, 2018 and 2017  
(Expressed in Canadian Dollars)

	Share capital		Reserves			Shares to be Issued (\$)	Deficit (\$)	Accumulated Other Comprehensive Loss (\$)	Total (\$)
	Class A Common Shares	Amount (\$)	Stock Options (\$)	Warrants (\$)					
<b>Balance, December 31, 2016</b>	<b>41,791,256</b>	<b>6,577,085</b>	<b>405,898</b>	<b>112,910</b>	<b>75,000</b>	<b>(7,155,073)</b>	<b>(9,408)</b>	<b>6,412</b>	
Share-based compensation, note 14	-	-	81,103	-	-	-	-	81,103	
Net loss for the period	-	-	-	-	-	(1,197,998)	(2,872)	(1,200,870)	
<b>Balance, June 30, 2017</b>	<b>41,791,256</b>	<b>6,577,085</b>	<b>487,001</b>	<b>112,910</b>	<b>75,000</b>	<b>(8,353,071)</b>	<b>(12,280)</b>	<b>(1,113,355)</b>	
<b>Balance, December 31, 2017</b>	<b>41,791,256</b>	<b>6,577,085</b>	<b>530,397</b>	<b>112,910</b>	<b>75,000</b>	<b>(9,848,341)</b>	<b>3,563</b>	<b>(2,549,386)</b>	
Share-based compensation, note 14	-	-	23,963	-	-	-	-	23,963	
Private placement, note 14	750,000	167,843	-	19,657	-	-	-	187,500	
Net loss for the period	-	-	-	-	-	(482,064)	(51,420)	(533,484)	
<b>Balance, June 30, 2018</b>	<b>42,541,256</b>	<b>6,744,928</b>	<b>554,360</b>	<b>132,567</b>	<b>75,000</b>	<b>(10,330,405)</b>	<b>(47,857)</b>	<b>(2,871,407)</b>	

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

**LOOPShare Ltd.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

For The Three and Six Months Ended June 30, 2018 and 2017  
(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b><i>Operating activities:</i></b>				
Net income (loss) for the period	36,732	(772,884)	(482,064)	(1,197,998)
Items not involving cash:				
Amortization	5,295	10,995	12,425	13,773
Gain on debt settlement	80,642	-	-	-
Realized gain on sale of land	(35,000)	-	(35,000)	-
Share-based payments	10,442	34,135	23,963	81,103
Unrealized foreign exchange gains (loss)	(34,037)	13,350	(51,420)	(2,872)
Changes in non-cash working capital items related to operations:				
Accounts receivable	(3,899)	18,808	79,360	(16,076)
Prepaid expenses	(18,470)	119,550	(22,004)	94,531
Tax credits receivable	-	-	-	13,312
Accounts payable and accruals	172,008	258,431	462,385	463,671
Deferred revenue	-	138,382	-	194,370
Inventory	3,488	(32,327)	-	(826)
Cash from (used in) operating activities	217,201	(211,560)	(12,355)	(357,012)
<b><i>Investing activities:</i></b>				
Purchase of license and equipment	-	(9,352)	500	(97,157)
Proceeds from gain on sale of land	35,000	-	35,000	-
Purchase of investment	-	-	(2,000)	-
Cash from (used in) investing activities	35,000	(9,352)	33,500	(97,157)
<b><i>Financing activities:</i></b>				
Proceeds from loans	-	383,360	-	458,360
Repayment of loans	(209,379)	-	(205,999)	-
Issuance of class A common shares, net	-	-	187,500	-
Proceeds from related parties	-	-	7,728	-
Repayment of related parties	(51,712)	-	-	-
Cash from (used in) financing activities	(261,091)	383,360	(10,771)	458,360
Net increase (decrease) in cash	(8,890)	162,448	10,374	4,191
Cash, beginning of the period	22,502	144,672	3,238	302,929
<b>Cash, end of the period</b>	<b>13,612</b>	<b>307,120</b>	<b>13,612</b>	<b>307,120</b>

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

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

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#### **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 was in the business of mineral exploration. The Company’s head office, principal address and the registered and records office are located at 106 – 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 condensed consolidated interim financial statements were prepared using International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting and have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2017, but do not include all of the information required for annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

**2. STATEMENT OF COMPLIANCE (continued)****Basis of Preparation (continued)**

These condensed consolidated interim 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 June 30, 2018, the Company had a net working capital deficiency of \$2,945,087 (December 31, 2017 - \$2,635,991) and a cumulative deficit of \$10,330,405 (December 31, 2016 - \$9,848,341). 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 condensed consolidated interim financial statements include the financial statements of the Company and its significant subsidiaries listed in the following table:

<b>Name</b>	<b>Country of Incorporation</b>	<b>% equity interest As at June 30, 2018</b>
Saturna Green Systems Inc.	Canada	100%
Loop Japan KK	Japan	100%

**Basis of Measurement**

These condensed consolidated interim 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 condensed consolidated interim 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.

**(a) Change in accounting policies – Revenue from Contracts with Customers**

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.

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As the Company has no revenue, no impact on the Company's condensed consolidated interim financial statements has resulted.

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(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

##### **(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.

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(d) Share-Based Payments (continued)**

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.

##### **(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.

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(g) Current and Deferred Income Taxes (continued)**

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Change in accounting policies – Financial Instruments**

The Company has adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

The following is the Company’s new accounting policy for financial instruments under IFRS 9.

**(i) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Accrued compensation	Amortized cost	Amortized cost
Investments	FVTPL	FVTPL
Bridge loans	Amortized cost	Amortized cost
Line of credit	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders’ equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For The Six Months Ended June 30, 2018 and 2017

(Unaudited) (Expressed in Canadian Dollars)

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(j) Change in accounting policies – Financial Instruments (continued)**

###### **(ii) Measurement**

###### Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

###### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the consolidated statements of net (loss) income. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

###### **(iii) Impairment of financial assets at amortized cost**

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

###### **(iv) Derecognition**

###### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

###### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net (loss) income.

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(k) 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.

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.

##### **(l) Change in accounting policies – Disclosure of Interests in Other Entities**

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 condensed consolidated interim financial statements.

##### **(m) New accounting standards**

###### **New and amended accounting standards not yet effective for the six months ended June 30, 2018**

###### *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.

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#### **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 trued up for differences between the number of instruments expected to vest and the actual number of instruments vested.

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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**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Accounts receivable	\$ 18,376	\$ 62,779
Sales Tax receivable	15,049	50,006
	<b>\$ 33,425</b>	<b>\$ 112,785</b>

**6. PREPAID EXPENSES AND DEPOSITS**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
General expenses	\$ 22,004	\$ -
	<b>\$ 22,004</b>	<b>\$ -</b>

**7. INVENTORY**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Inventory parts	\$ 186,952	\$ 186,952
Finished goods	4,542	4,542
	<b>\$ 191,494</b>	<b>\$ 191,494</b>

**8. PROPERTY AND EQUIPMENT**

Property and equipment comprises the following:

	<b>As at June 30, 2018</b>			<b>As at December 31, 2017</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
<b>Scooters</b>	\$ 15,671	\$ (6,432)	\$ 9,239	\$ 15,671	\$ (4,288)	\$ 11,383
<b>Computer Equipment</b>	3,854	(3,854)	-	3,854	(3,854)	-
<b>Office Furniture</b>	2,286	(1,970)	316	3,955	(3,023)	932
<b>Computer Software</b>	85,862	(53,450)	32,412	90,425	(50,575)	39,850
<b>Production Tooling</b>	49,200	(17,487)	31,713	49,200	(14,760)	34,440
<b>Total</b>	<b>\$ 156,873</b>	<b>\$ (83,193)</b>	<b>\$ 73,680</b>	<b>\$ 163,105</b>	<b>\$ (76,500)</b>	<b>\$ 86,605</b>

During the six months ended June 30, 2018, the Company sold land at \$35,000. Previously, this land was recorded as \$nil due to the fact that the fair value of the land was \$nil.

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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Accounts payable	\$ 1,090,367	\$ 757,151
Accrued compensation	482,212	353,043
	<b>\$ 1,572,579</b>	<b>\$ 1,110,194</b>

**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 14 (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.

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**10. POTENTIAL OBLIGATION TO ACQUIRE AFFILIATE (continued)**

The value of the derivative instrument is calculated as follows:

$A = B \times C$  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.).

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.

<b>Date</b>	<b>Derivative instrument value</b>
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
Loss, six months ended June 30, 2018	nil
June 30, 2018	\$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.

## LOOPShare Ltd.

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### 10. POTENTIAL OBLIGATION TO ACQUIRE AFFILIATE (continued)

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.

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 <sup>(1)</sup>	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 <sup>(2)</sup>	447,761	\$0.67	\$300,000
Total class A common shares issued and outstanding immediately prior to completion of the Transaction	7,818,341		

<sup>(1)</sup> 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).

<sup>(2)</sup> 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 5,618,617 common shares of Kenna being issued and outstanding.

## LOOPShare Ltd.

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### 11. REVERSE ACQUISITION TRANSACTION (continued)

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

In conjunction with closing of the Transaction, LOOPShare closed a private placement for gross proceeds of \$1,375,000 by the issuance of 6,875,000 LOOPShare common shares at a price of \$0.20 per share and paid cash commissions totaling \$52,210 along with 254,800 non-transferable broker warrants in connection with the private placement 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.

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

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

<b>Consideration paid</b>		
5,618,617 common shares <sup>(1)</sup>	\$	1,123,723
2,647,617 warrants <sup>(2)</sup>		86,214
Total consideration paid		1,209,937
Less: settlement of pre-existing loan <sup>(3)</sup>		250,000
Net Consideration		959,937
<b>Less: Value of net assets</b>		
Cash		180,829
Amounts receivable		22,481
Trade and other payables		(90,615)
Net assets acquired		112,695
<b>Fair value of consideration paid in excess of net assets acquired</b>	\$	847,242
<b>Other listing expenses</b>		
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
<b>Total listing expenses, December 31, 2016</b>	\$	<b>1,743,614</b>

## LOOPShare Ltd.

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### 11. REVERSE ACQUISITION TRANSACTION (continued)

- (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 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.

### 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 three and six months ended:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Salary	\$ (16,500)	\$ 88,808	\$ 39,000	\$ 209,936
Class A common share-based compensation accrued/paid	7,136	14,706	20,246	33,405
	<b>\$ (9,364)</b>	<b>\$ 103,514</b>	<b>\$ 59,246</b>	<b>\$ 243,341</b>

The following amounts are payable to related parties as at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Companies controlled by directors	\$ 3,537	\$ 3,537
Accrued compensation (note 9)	300,468	270,060
Expenses incurred on behalf of Company owing to directors and officers	403	26,390
	<b>\$ 304,408</b>	<b>\$ 299,987</b>

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

As at June 30, 2018, the Company has bridge loans due to a director and officer of the Company in the amount of \$187,000 (December 31, 2017 - \$187,000).

As at June 30, 2018, 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 (December 31, 2017 - \$75,000).

#### Performance Shares

As of June 30, 2018, 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 \$20,246 for the six months ended June 30, 2018 (2017 - \$33,405) was recorded in the consolidated statement of loss.

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### 12. RELATED PARTY TRANSACTIONS (continued)

#### 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.

<b>Number of cities to which 55 or more scooters were shipped</b>	<b>Value of royalty</b>
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.

On August 23, 2018, the company announced its intention to enter a share exchange agreement with a non-related party company and arm's-length shareholders. The target is the holder of a royalty to be paid by the Company. (Refer to note 20).

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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 June 30, 2018 and December 31, 2017 is \$nil. See note 14.
- (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 June 30, 2018 total \$197,880 (December 31, 2017 - \$197,880) comprised of loans from employees of the Company of \$10,880 (December 31, 2017 - \$10,880) and a bridge loan of \$187,000 (December 31, 2017 - \$187,000) 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 CAD \$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 CAD \$1 million. On February 23, 2018, the Company approved the assignment of a promissory note for \$250,000 issued to Waleed Sukkarie on November 25, 2016 to Anwar Sukkarie. The Company has already paid \$135,000 of this debt to Waleed Sukkarie and the assignment resulted from Anwar Sukkarie paying Waleed Sukkarie \$115,000 in lieu of the promissory note's balance. The assignment is non-interest bearing. The loan has no maturity date and no stated terms of repayment.
- (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.

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 June 30, 2018, there were 42,541,256 (December 31, 2017 - 41,791,256) issued and fully paid class A common shares, Nil class B common shares, Nil class C common shares and Nil (December 31, 2017 - 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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#### **14. SHARE CAPITAL AND RESERVES (continued)**

##### (b) Issued Share Capital (continued)

At June 28, 2016 in connection with the Company Reverse Acquisition Transaction, 12,866,890 class A common shares were held in escrow by the Escrow Agent pursuant to a Security Escrow Agreement. 686,057 class A common shares were released from escrow after the issuance of the final exchange bulletin leaving a remaining balance of 12,180,832 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 June 30, 2018, 7,019,964 class A common shares remained subject to this voluntary resale restriction.

##### (c) Share Issuances

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 was 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.

There were no shares issuances during the year ended December 31, 2017.

##### Year ended December 31, 2016:

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.

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**14. SHARE CAPITAL AND RESERVES (continued)**

## (c) Share Issuances (continued)

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.

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. See note 14(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.

The continuity of the stock options for the periods ended June 30, 2018 and December 31, 2017 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, 2017 and June 30, 2018	2,584,000	\$ 0.200

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**14. SHARE CAPITAL AND RESERVES (continued)**

## (d) Stock Options (continued)

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.

Details of options outstanding and exercisable at June 30, 2018 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	3.01
72,000	6,000	\$0.200	September 28, 2021	\$0.200	3.24
2,584,000	641,333			\$0.200	3.02

For the six months ended June 30, 2018, the Company recorded expense in the amount of \$23,963 in respect of incentive stock options (2017 - \$81,103).

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**14. SHARE CAPITAL AND RESERVES (continued)**

## (e) Warrants

The continuity of the warrants for the periods ended June 30, 2018 and December 31, 2017 is as follows:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2015 <sup>(1)</sup>	1,334,138	\$ 0.055
Exercised	(1,334,138)	0.055
Balance, December 31, 2016	-	\$ -
Granted <sup>(2)</sup>	2,901,918	0.310
Granted <sup>(3)</sup>	3,000,000	0.050
Expired	(2,647,107)	0.310
Balance, December 31, 2017	3,254,811	\$ 0.178
Granted <sup>(4)</sup>	750,000	0.050
Expired	254,800	0.370
Balance, June 30, 2018	3,750,000	\$ 0.050

<sup>(1)</sup>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.

<sup>(2)</sup>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.

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.

<sup>(3)</sup>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.

<sup>(4)</sup>On February 26, 2018, in connection with the Company's private placement, 750,000 purchase warrants valued using Black-Scholes Option Pricing Model at \$19,657 were issued, each warrant entitling the holder to acquire one class A common share at a price of \$0.05 for one year.

## LOOPShare Ltd.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 14. SHARE CAPITAL AND RESERVES (continued)

##### (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.

##### (g) Performance Shares

Effective January 1, 2018 the Company amended its agreement with Anwar Sukkarie, an officer and director of the Company. Under the revised agreement Mr. Sukkarie's 2018 salary of \$78,000 shall be payable in cash. The prior agreement included a salary of \$222,000 paid in cash of \$72,000 and the balance by the issuance of a total of 749,999 common shares in two equal installments. Further, Mr. Sukkarie was entitled to 3,499,999 common shares ("Performance Shares") subject to meeting the following performance criteria.

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

As of June 30, 2018, 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.

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**15. REVENUE**

Revenue for the six months ended June 30, 2018 was \$nil (2017 - \$83,027) which is comprised of \$nil (2017 - \$4,215) from engineering services and \$nil (2017 - \$78,812) from product sales.

Revenue for the three months ended June 30, 2018 was \$nil (2017 - \$35,205) which is comprised of \$nil (2017 - \$2,772) from engineering services and \$nil (2017 - \$32,433) from product sales.

During the six months ended June 30, 2018, \$nil (2017 - \$34,104) of revenue was attributable to the Company's affiliate company, Loop s.a.l.

**16. EXPENSES BY NATURE**

For the Six Months Ended June 30, 2018

	General and Administration	Research and Development	Sales and Marketing
Office expense	\$ 214,081	\$ 3,660	\$ -
Accounting and legal	46,734	-	-
Consulting	-	190,937	99,420
Personnel	94,683	131,328	-
Travel	12,492	1,728	2,271
<b>Totals</b>	<b>\$ 367,990</b>	<b>\$ 327,653</b>	<b>\$ 101,691</b>

For the Six Months Ended June 30, 2017

	General and Administration	Research and Development	Sales and Marketing
Office expense	\$ 128,048	\$ -	\$ 5,952
Accounting and legal	49,521	26,758	-
Consulting	129,858	135,706	56,987
Personnel	535,569	161,976	39,903
Travel	5,874	29,239	1,307
<b>Totals</b>	<b>\$ 848,870</b>	<b>\$ 353,679</b>	<b>\$ 104,149</b>

**17. 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.

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****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 June 30, 2018, the Company had a cash balance of \$13,612 (December 31, 2017 - \$3,238) to settle current liabilities of \$3,207,622 (December 31, 2017 - \$2,943,508).

**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 June 30, 2018 and December 31, 2017, 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:

	June 30, 2018		December 31, 2017	
	US Dollars	Japanese Yen	US Dollars	Japanese Yen
Cash	1,067	7,157	2,305	655
Accounts receivable	193,045	11,945	132,300	43,645
Accounts payable	2,776	162,458	6,396	143,676
Total	196,888	181,560	141,001	187,976

**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.

**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.

## LOOPShare Ltd.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### 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.

#### 18. COMMITMENTS

At June 30, 2018, the Company had the following outstanding commitments:

Commitment	Year ending December 31, 2018	Year ending December 31, 2019
Office lease	\$ 44,297	\$ 23,040
Development services	336,000	504,000
Inventory, parts	112,978	-
Inventory, scooters	639,507	-
<b>Total commitments</b>	<b>\$ 1,132,782</b>	<b>\$ 527,040</b>

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 June 30, 2018, commitments to purchase parts inventory relate mainly to screens.

#### 19. 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 six months ended June 30, 2018, 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 12% of the total assets of the Company. The remaining assets are held in Canada.

## **LOOPShare Ltd.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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#### **20. SUBSEQUENT EVENTS**

Subsequent to the period ended June 30, 2018, the Company completed a non-brokered private placement financing of secured convertible debentures and 20,000 non-transferable share purchase warrants for every \$1,000 of principal of the debentures for gross proceeds of a minimum of \$1.5-million and up to a maximum of \$5-million. Each warrant is exercisable into one additional Class A share at an exercise price of \$0.075 per warrant share for a period of three years from the date of closing.

Subsequent to the period ended June 30, 2018, the Company entered into a \$75,000 loan agreement from non-related parties which bears interest of 12%, unsecured and due on demand.

Subsequent to the period ended June 30, 2018, the Company has changed the exercise price of 8,424,943 non-transferable share purchase warrants expiring February 3, 2019 from \$0.20 to \$0.10. All other terms did not change.

Subsequent to the period ended June 30, 2018, the Company announced its intention to enter a share exchange agreement with a non-related party company and arm's-length shareholders. The Company intends to acquire all of the issued and outstanding common shares of the targeted company and the targeted shareholders in consideration for the issuance of 19,999,998 Class A common shares of the Company to the target shareholders. The target is the holder of a royalty to be paid by the Company (note related to the royalties).

Subsequent to the period ended June 30, 2018, the Company announced its intention to settle debt in the amount of \$1,160,886.45 owed by the Company to various creditors by the issuance of 22,244,394 Class A shares of the Company. Of these settlement shares, 226,666 will be issued at a deemed price of \$0.075 cents per settlement share and 22,017,728 will be issued at a deemed price of \$0.05 cents per settlement share.