LOOPShare Ltd.

Consolidated Financial Statements

December 31, 2018
(In Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOOPShare Ltd.

Opinion

We have audited the consolidated financial statements of LOOPShare Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the Company is not able to finance its day to day activities through current operations. As stated in Note 2, these events along with other matters set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 1, 2019

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note		December 31, 2018		December 31, 2017
Assets					
Current assets:					
Cash		$	888,629	$	3,238
Accounts receivable	5		60,473		112,785
Prepaid expenses and deposits	6		645,292		-
Due from Related Party	11		17,481		-
Inventory	7		89,421		191,494
Total current assets			1,701,296		307,517
Long term assets:					
Property and equipment	8		36,309		86,605
Total Assets		**$**	**1,737,605**	**$**	**394,122**
Liabilities and Shareholders' Deficiency					
Current liabilities:					
Accounts payable and accrued liabilities	9, 11	$	757,413	$	757,151
Accrued compensation	9, 11		149,417		353,043
Bridge loans, from employees			-		10,880
Deferred revenue			572,024		623,357
Due to related parties			3,537		299,987
Line of Credit	14		-		345,340
Loan payable to related party	14		-		402,000
Loans payable	14		-		151,750
Total current Liabilities			1,482,391		2,943,508
Long term liabilities:					
Convertible debentures and related interest	15		2,574,336		-
Total Liabilities		**$**	**4,056,727**	**$**	**2,943,508**
Shareholders' Deficiency					
Class A common share capital	16		8,384,560		6,577,085
Obligation to issue class A common shares	11, 16		75,000		75,000
Reserves			1,811,834		643,307
Deficit			(12,582,374)		(9,848,341)
Accumulated other comprehensive income (loss)			(8,142)		3,563
Total Shareholders' Deficiency			**(2,319,122)**		**(2,549,386)**
Total Liabilities and Shareholders' Deficiency		**$**	**1,737,605**	**$**	**394,122**

Going concern – note 2
Commitments – notes 10, 21
Subsequent events – note 23

Approved by the directors:

____"ANWAR SUKKARIE"_______ _______"BROOKE HURFORD"___________

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

LOOPShare Ltd.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For The Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

		For the Years ended December 31,	
		2018	**2017**
	Note		
Revenue	18	$ -	$ 264,993
Cost of Sales		-	441,417
Gross Margin		-	(176,424)
Expenses			
Operating expenses:			
Amortization		48,870	73,836
General and administrative	19	902,821	1,497,598
Finance costs	15	83,555	34,546
Research and development	19	810,024	704,719
Sales and marketing	19	122,130	273,477
Share-based compensation	16	251,350	124,499
Total expenses		2,218,750	2,708,675
Net loss before other items		(2,218,750)	(2,885,099)
Other items			
Other expense		(2,587)	-
Currency exchange gain (loss)		3,870	(13,761)
Government grant income	13	371,602	205,592
Gain on settlement of debt and accounts payable	9	123,579	-
Gain on asset disposal		639	-
Gain on sale of mineral property interest		35,000	-
Inventory write-down	7	(47,386)	-
Loss from settlement of debt with share exchange agreement	11, 16	(1,000,000)	-
Net Loss		**$ (2,734,033)**	**$ (2,693,268)**
Other comprehensive (loss) income			
Foreign currency translation adjustment		**(11,705)**	**12,971**
Total Comprehensive Loss		**(2,745,738)**	**(2,680,297)**
Loss per share – basic and diluted		**$ (0.06)**	**$ (0.06)**
Weighted average number of common shares		**45,801,176**	**41,791,256**

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

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For The Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

			Reserves							
	Class A Common Shares	Amount ($)	Stock Options ($)	Warrants ($)	Contributed Surplus ($)	Total Reserve ($)	Shares to be Issued ($)	Deficit ($)	Accumulated Other Comprehensive Loss ($)	Total ($)
Balance, December 31, 2016	**41,791,256**	**6,577,085**	**405,898**	**112,910**	**-**	**518,808**	**75,000**	**(7,155,073)**	**(9,408)**	**6,412**
Share-based compensation	-	-	124,499	-	-	124,499	-	-	-	124,499
Comprehensive loss for the year	-	-	-	-	-	-	-	(2,693,268)	12,971	(2,680,297)
Balance, December 31, 2017	**41,791,256**	**6,577,085**	**530,397**	**112,910**	**-**	**643,307**	**75,000**	**(9,848,341)**	**3,563**	**(2,549,386)**
Share-based compensation	-	-	251,350	-	-	251,350	-	-	-	251,350
Shares issued for cash (Note 16)	750,000	167,842	-	19,657	-	19,657	-	-	-	187,499
Issuance of convertible debentures (Note 11)	-	-	-	680,030	-	680,030	-	-	-	680,030
Shares issued for debt (Notes 9, 16)	12,792,651	639,633	10,430	-	-	10,430	-	-	-	650,063
Share exchange (Note 11)	19,999,998	1,000,000	-	-	-	-	-	-	-	1,000,000
Settlement of debt with CEO (note 9)	-	-	-	-	207,060	207,060	-	-	-	207,060
Comprehensive loss for the year	-	-	-	-	-	-	-	(2,734,033)	(11,705)	(2,745,738)
Balance, December 31, 2018	**75,333,905**	**8,384,560**	**792,177**	**812,597**	**207,060**	**1,811,834**	**75,000**	**(12,582,374)**	**(8,142)**	**(2,319,122)**

The accompanying notes are an integral part of these consolidated statements

LOOPShare Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	For the Years ended December 31, 2018	2017
	$	$
Operating activities:		
Net loss for the year	(2,734,033)	(2,693,268)
Items not involving cash:		
Amortization	48,870	73,836
Share-based compensation	251,350	124,499
Accretion expenses and interest accrued	56,867	2,000
Gain on sale of mineral property interest	(35,000)	-
Inventory write-down	47,386	-
Loss on settlement of debt net of gains	876,421	-
Unrealized foreign exchange gains	(11,705)	-
Changes in non-cash working capital items related to operations:		
Accounts receivable and due from related party	34,831	(76,647)
Prepaid expenses and deposits	(645,292)	467,082
Accounts payable and accruals	183,926	710,228
Deferred revenue	(51,333)	332,319
Inventory	54,687	44,727
Cash used for operating activities	(1,923,025)	(1,015,224)
Investing activities:		
Purchase of license and equipment	-	(37,820)
Proceeds from sale of mineral property interest	35,000	-
Proceeds from sale of property and equipment	1,426	-
Cash from (used for) investing activities	36,426	(37,820)
Financing activities:		
Line of credit drawn (repaid)	(354,859)	345,340
Proceeds from related parties	-	156,263
Proceeds from loans	160,000	303,750
Issuance of class A common shares	187,500	-
Repayment of loans payable, related party loans, and bridge loans	(118,151)	-
Proceeds from convertible debentures	2,897,500	-
Cash from financing activities	2,771,990	753,353
Net increase (decrease) in cash	885,391	(299,691)
Cash, beginning of the year	3,238	302,929
Cash, end of the year	**888,629**	**3,238**

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

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

LOOPShare Ltd. (the "Company" or "LOOPShare") was incorporated under the provisions of The Business Corporations Act (Saskatchewan) on September 25, 2009. On September 4, 2014, the Company completed its continuance to British Columbia under The Business Corporations Act (British Columbia). The Company's head office, principal address and the registered and records office are located at 103 – 131 Water Street, Vancouver, BC V6B 4M3. The Company is classified as a technology company. The Company develops and deploys connected end-to-end Telematics-based solutions for inner-city transportation vehicles, specifically geared toward Transportation as a Service ("TaaS"). The Company specializes in the connected vehicle industry with a focus on two wheel electric vehicles. The Company is listed on the TSX-V and its trading symbol is LOOP.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the year ended December 31, 2018. These consolidated financial statements were approved by the Board of Directors on May 1, 2019.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these consolidated 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 technology, and settle liabilities. The Company has incurred losses since inception and expects to incur further losses in the development of its business. As at December 31, 2018 the Company had net working capital of $218,905 and an accumulated deficit of $12,582,374. The Company generated no revenues for the year ended December 31, 2018 (2017 -$264,993).

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

Basis of Consolidation

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

These consolidated financial statements include the financial statements of the Company and its significant subsidiaries listed below:

Name	Country of Incorporation	Functional Currency	% equity interest As at December 31, 2018
Saturna Green Systems Inc.	Canada	Canadian $	100%
Loop Japan KK	Japan	Japanese Yen	100%
1022313 B.C. Ltd.	Canada	Canadian $	100%

2. STATEMENT OF COMPLIANCE (continued)

Basis of Measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are as follows:

(a) Revenue Recognition

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

Revenue from telematics 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 in which the loss is determined. Revenue from the sale of electric scooters is recognized when the electric scooters are delivered and when all significant contractual obligations have been satisfied.

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 relative fair values, and the applicable revenue recognition criteria are applied to each of the separate units. Otherwise, the applicable revenue recognition criteria are applied to the revenue arrangement as a single unit.

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

(b) Inventory

Inventory is 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 and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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 furniture 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, 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.

(e) Government grants

Government grants are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the grant. Grants that compensate the Company for expenses are recognized in the consolidated statements of loss and comprehensive loss.

(f) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Current and Deferred Income Taxes

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

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

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

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

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

(h) Foreign Currencies

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency for Saturna Green Systems Inc. and 1022313 B.C. Ltd. is the Canadian dollar and the functional currency for Loop Japan K.K. is the Japanese Yen.

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 significantly 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Assets

Newly adopted accounting standards

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

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 if 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:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Due (to) from related party	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Line of credit	Amortized cost	Amortized cost
Loans payable and bridge loan	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

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 transaction costs are expensed in the statements of loss and comprehensive loss. 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 statements of loss and comprehensive loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes 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 has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, 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.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(k) Derivatives Instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 loss.

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.

(m) Change in accounting policies

The Company has not early adopted any new or renewed standard including any of the consequential amendments thereto which are effective January 1, 2019 and thereafter. The following standard is applicable to future years:

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. Management is currently assessing the impact of this accounting standard.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 and judgements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Areas requiring a significant degree of estimation and judgment include the following:

(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) Going Concern

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

(e) 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.

(f) 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.

(Expressed in Canadian Dollars)

5. ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Accounts receivable	$ 18,376	$ 62,779
Sales Tax receivable	42,097	50,006
	$ 60,473	**$ 112,785**

6. PREPAID EXPENSES AND DEPOSITS

	December 31, 2018	December 31, 2017
Deposit for inventory	$ 630,831	$ -
General expenses	14,461	-
	$ 645,292	**$ -**

7. INVENTORY

	December 31, 2018	December 31, 2017
Inventory parts	$ 84,879	$ 186,952
Finished goods	4,542	4,542
	$ 89,421	**$ 191,494**

During the year ended December 31, 2018, the Company wrote down inventory with a value of $47,386 (2017 - $105,000 which was included in cost of goods sold) to its estimated net realizable value.

8. PROPERTY AND EQUIPMENT

	Scooters	Computer Equipment	Office Furniture	Computer Software	Production Tooling	Total
Cost -						
As at December 31, 2016	**$ 2,039**	**$ 3,854**	**$ 3,955**	**$ 90,424**	**$ 49,200**	**$ 149,472**
Additions	13,632	-	-	-	-	13,632
As at December 31, 2017	**15,671**	**3,854**	**3,955**	**90,424**	**49,200**	**163,104**
Additions (disposal)	**-**	**-**	(3,955)	-	-	(3,955)
As at December 31, 2018	**15,671**	**3,854**	**-**	**90,424**	**49,200**	**159,149**
Accumulated depreciation -						
As at December 31, 2016	**(2,039)**	**(3,854)**	**(2,789)**	**(8,330)**	**(9,840)**	**(26,852)**
Additions	(2,249)	-	(234)	(42,244)	(4,920)	(49,647)
As at December 31, 2017	**(4,288)**	**(3,854)**	**(3,023)**	**(50,574)**	**(14,760)**	**(76,499)**
Additions	(4,594)	-	3,023	(39,850)	(4,920)	(45,341)
As at December 31, 2018	**(8,882)**	**(3,854)**	**-**	**(90,424)**	**(19,680)**	**(122,840)**
Net carrying amounts -						
As at December 31, 2017	**$ 11,383**	**$ -**	**$ 932**	**$ 39,850**	**$ 34,440**	**$ 86,605**
As at December 31, 2018	**$ 6,789**	**$ -**	**$ -**	**$ -**	**$ 29,520**	**$ 36,309**

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND ACCRUED COMPENSATION

		December 31, 2018		December 31, 2017
Accounts payable	$	757,413	$	757,151
Accrued compensation		149,417		353,043
	$	**906,830**	**$**	**1,110,194**

On November 23, 2018, the Company entered into a debt settlement agreement with vendors and employees for past services performed, loans and management fees payable. The Company issued 12,792,651 shares with a fair market value of $639,633. The Company recognized a gain on settlement of debt of $123,579 in the statement of loss and comprehensive loss related to the debt settled with employees and vendors. The Company recognized a gain on settlement of debt of $207,060 related to the debt with a director, who is a significant shareholder and recorded the gain in contributed surplus.

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 choose to exercise the warrant.

The Company will increase the number of warrants 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 represents 40% of the issued capital of Loop s.a.l. The additional investment closed on November 14, 2016.

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 loss.

The key unobservable inputs that were used in the estimation of the derivative liability are 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) The number of scooters required to earn the projected revenues, calculated based on the expected members and usage in each city.
5) The appropriate discount rate for Loop s.a.l.

(Expressed in Canadian Dollars)

10. POTENTIAL OBLIGATION TO ACQUIRE AFFILIATE (continued)

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.

This loss position of $719,000 is not recognized on initial recognition in accordance with applicable guidance therefore the Company has deferred this difference. Subsequent gains from re-measurement of the derivative instrument are not recognized in the consolidated 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 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 shares. As At December 31, 2018 the derivative was in a gain position and accordingly no amount has been recorded in the consolidated statements of financial position.

11. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

	Years ended December 31,			
		2018		**2017**
Salary and management fees	$	128,000	$	271,000
Consulting		54,200		-
Share-based compensation accrued/paid		20,728		62,288
Gain on settlement of debt (note 9)		207,060		-
	$	**409,988**	**$**	**333,288**

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

	December 31, 2018		**December 31, 2017**	
Companies controlled by directors	$	323,096	$	3,537
Accrued compensation (note 9)		16,172		270,060
Expenses incurred by directors and officers on behalf of the Company		-		26,390
Due to directors and officers		4,200		-
	$	**343,468**	**$**	**299,987**

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

As at December 31, 2018 the Company had loans due to a director and officer of the Company in the amount of $Nil (2017 - $187,000). As at December 31, 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 (2017 - $75,000). At December 31, 2018, $17,481 was receivable from a company controlled by a director.

As at December 31, 2018, the Company has an obligation to issue performance shares to a Director see note 16.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2018, Directors of the Company purchased $412,500 convertible debentures of the Company (Note 15).

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, 1022313 B.C. LTD, (the "Royalty Company") owned by employees of the Company with respect to the forgiveness of past salary. Under the revised agreement a royalty of up to $1,150,000 (the "Royalty Max") is to be calculated quarterly and payable in common shares of the Company and the market value on the issue date. Directors and officers hold a beneficial interest of 70% of the royalty company and collectively have 33% voting interest.

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

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

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

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

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

The royalty agreement was 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.

During the year ended December 31, 2018 the Company entered into a share exchange agreement with the Royalty Company whereby the Company has agreed to acquire all of the issued and outstanding capital of the Royalty Company in exchange for the issuance of 19,999,998 class A common shares of the Company with a fair value of $1,000,000.

Since, the Royalty Company had no inputs, processes and outputs, the acquisition of the shares does not represent a business combination in accordance with IFRS 3. Due to this fact, the acquisition was accounted as asset acquisition. Since the royalty agreement acquired from the Royalty Company is based on the Company's own

11. RELATED PARTY TRANSACTIONS (continued)

Revenues it was determined that this contingent asset had no value and therefore the transaction was recognized as a loss on settlement of debt with the exchange agreement for $1,000,000 during the year ended December 31, 2018.

12. DEFERRED REVENUE

The Company received a deposits during the year ended December 31, 2017 for the partial payment of the purchase of scooters. The remaining payment and manufacture of these scooters remains outstanding as at December 31, 2018.

13. GOVERNMENT GRANT INCOME

The Company participates in the Subsidy Program for Global Innovation Center of the Government of Japan. The program consists of a subsidy for certain costs incurred by foreign companies for setting up innovation centers, experimental studies and feasibility studies in collaboration with Japanese companies and other organizations in Japan with the aim of drawing investments and excellent management resources from overseas.

After the completion the subsidized program, the Company submits a result report and summary of expenditures incurred for reimbursement, which is reviewed by the appropriate authority which decides the amount to be reimbursed. The Company received reimbursement for $371,602 (2017: $205,592) during the year ended December 31, 2018.

14. LOANS, SHORT TERM

(a) During the year-ended December 31, 2017, the Company issued a non-interest bearing promissory note in the amount $75,000 to an officer and director of the Company, with the proceeds used for general working capital. This promissory note will be payable on the earlier of March 7, 2018 and from the proceeds of a financing in the minimum amount of $1 million. On February 23, 2018, the Company approved the assignment of this promissory note to an officer and director of the Company. The balance of the promissory note at the time of assignment was $115,000. The assignment is non-interest bearing, has no maturity date, and no stated terms of repayment. As part of the debt settlement agreement, the balance of the promissory note was repaid on November 23, 2018 (note 9).

(b) During the year ended December 31, 2017 the Company's Japanese 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. The loan was repaid in full in November 2018.

(c) During the year ended December 31, 2017, the Company received a loan from Oceanside Strategies Inc. ("Oceanside") in the amount of $150,000 plus accrued interest of $1,750. The loan has a six-month term and bears interest at a rate of 10% per annum, calculated and compounded monthly based on the number of days actually elapsed in a 365-day year, and payable on the maturity date. In consideration for the loan, the Company agreed to issue to Oceanside a bonus of 3,000,000 non-transferable share purchase warrants. Each warrant entitles Oceanside to purchase one additional common share of the Company at a price of $0.05 per warrant share for a period of one year from the date the loan is advanced.

14. LOANS, SHORT TERM (continued)

(d) On August 31, 2018, the Company issued an interest-bearing promissory note to Oceanside in the amount of $75,000. The loan bears interest of 12%, is unsecured and due on demand. In the event of non-payment of the principal amount, and all accrued interest thereon, when demanded by the Oceanside, an event of default shall have occurred. On the occurrence of an event of default, interest shall be increased to the rate of 18.0% per annum (1.5% per month) and shall be payable bi-weekly commencing on the date of the event of default.

On November 23, 2018, the total principal of the loan due to Oceanside of $225,000 was settled with convertible debentures and the related interest of $18,608 was paid in cash.

(e) On July 24, 2018, the Company issued an interest-bearing promissory note in the amount of $75,000. The loan bears interest of 12%, is unsecured and due on demand. In the event of non-payment of the principal amount, and all accrued interest thereon, when demanded by the lender, an event of default shall have occurred. On the occurrence of an event of default, interest shall be increased to the rate of 18.0% per annum (1.5% per month) and shall be payable bi-weekly commencing on the date of the event of default. On November 23, 2018, the loan of $75,000 was settled with convertible debenture and the related interest of $3,501 was paid in cash.

(f) On July 24, 2018, the Company issued an interest-bearing promissory note in the amount of $10,000. The loan bears interest of 12%, is unsecured and due on demand. In the event of non-payment of the principal amount, and all accrued interest thereon, when demanded by the lender, an event of default shall have occurred. On the occurrence of an event of default, interest shall be increased to the rate of 18.0% per annum (1.5% per month) and shall be payable bi-weekly commencing on the date of the event of default. On November 23, 2018, the Company repaid $10,000 plus accrued interest of $161 in cash.

(g) Bridge loans outstanding as at December 31, 2018 total $Nil (2017 - $197,880) and are comprised of loans from employees of the Company of $Nil (2017 - $10,880) and a bridge loan of $Nil (2017 - $187,000) due to a director and officer of the Company. During the year ended, the bridge loans with the officer of the Company was settled and resulted in a gain recognized in contributed surplus of $207,060 (Note 9).

15. CONVERTIBLE DEBENTURES

On November 23, 2018, the Company issued secure three-year convertible debentures with a face value of $3,197,500 and interest payable of 10% per annum. The debentures are exercisable into Class A common shares at a conversion price of $0.05 per share during the first year and $0.10 per share in the second and third year. Any accrued and unpaid interest may be converted into Class A common shares at a conversion price equal to the market price at the time of conversion. In addition, the holders received 20,000 non-transferable share purchase warrants for every $1,000 of principal of the debentures. Each warrant is exercisable into one additional Class A common share at an exercise price of $0.075 per warrant share for a period of three years.

For accounting purposes, the debentures contain both a liability component and an equity component, being the lender's conversion option to shares, which have been separately presented on the consolidated statement of financial position. The Company allocated the original $3,197,500 principal of the Debentures to the individual liability component and equity components by establishing the fair value of the liability component at the date of issue at $2,517,469 and then allocated the remaining balance of the net proceeds of $680,030 to the conversion option component and share purchase warrants. The fair value of the liability component 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 20.3% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders. The carrying value of the convertible debentures, including interest was $2,574,336 as at December 31, 2018. The accretion expenses was $23,578 and the interest expense was $33,289 for the year ended December 31, 2018 and are included in the finance costs in the consolidated statement of loss and comprehensive loss.

16. SHARE CAPITAL AND RESERVES

(a) Authorized

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

(b) Issued Share Capital

As at December 31, 2018 there were 75,333,905 (2017 - 41,791,256) issued and fully paid class A common shares, Nil class B common shares, Nil class C common shares and Nil (2017 - Nil) issued and fully paid preferred shares outstanding.

(c) Share Issuances

The following class A common shares were issued for services during the year ended December 31, 2018:

On February 26, 2018, the Company completed a non-brokered private placement of 750,000 units (the "Units") at a price of $0.25 per Unit. Each Unit is 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.

On November 23, 2018, the Company issued 12,792,651 class A Common Shares to settle an aggregate amount of debt totaling $639,633 for past services performed, loans, and management fees. All of the shares issued have been placed in escrow for a period of three years from the date of issuance. The shares were valued using the trading price ($0.05) on the date before the shares were issued.

On November 23, 2018 the Company issued 19,999,998 Shares as a part of a share exchange. The shares were valued using the trading price ($0.05) on the date before the shares were issued. As part of this transaction a total loss of $1,000,000 was recorded on the consolidated statement of loss (Note 11).

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

(d) Escrow shares

As at December 31, 2017, 10,122,661 class A common shares were being held in escrow. During the year ended December 31, 2018 3,259,435 class A common shares were released from escrow and 12,792,651 class A common shares were deposited into escrow as part of a voluntary escrow agreement in connection with the debt settlement agreement. The resulting balance of shares held in escrow as at December 31, 2018 is 19,655,877. If the Company meets the TSX venture exchange Tier 1 minimum listing requirements the release of 6,863,227 escrowed Common Shares will be accelerated.

Pursuant to a Reverse Acquisition Transaction on June 28, 2016, 25 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 were subject to these voluntary resale restrictions immediately after the Reverse Acquisition transaction closed.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(e) 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 years ended December 31, 2018 and 2017 is as follows:

	Options	Weighted Average Exercise Price
Balance, December 31, 2016 and 2017	2,584,000	$ 0.200
Granted	5,580,000	0.050
Forfeited	(1,364,000)	0.200
Balance, December 31, 2018	6,800,000	$ 0.077

During the year ended December 31, 2018, the fair value of the options has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 2.29% an expected life of 5 years, an expected volatility of 88%, 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. The average fair value per option ranged from $0.03 to $0.04 per option.

In November 2018, the Company issued 4,780,000 incentive stock options, with a life of five years, exercisable at a price of $0.05 per Share, to directors, officers, employees and consultants of the Company, 40% vesting in 12 months from the grant date; 30% vesting in 24 months from the grant date; and 30% vesting in 36 months from the grant date. Of these option issued, 3,000,000 options were granted to directors and officers.

An additional 300,000 incentive stock options, exercisable within five years at a price of $0.05 per share, have been granted pursuant to a one-year contract with a consultant to provide business development services for the Corporation. These options vest 12 months from the grant date.

An additional 500,000 incentive stock options, exercisable within five years at a price of $0.05 per share, have been granted pursuant to a contract with a consultant to provide investor relations services to the Company. 25% of the options vest in 3 months from the grant date, with a further 25% vesting at the end of each three-month period thereafter.

Details of options outstanding and exercisable at December 31, 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)
1,220,000	982,778	$0.200	July 6, 2021	$0.200	2.50
5,580,000	-	$0.050	November 23, 2023	$0.050	4.90
6,800,000	982,778			$0.077	4.47

For the year ended December 31, 2018 the Company recorded stock based compensation in the amount of $38,999 in respect of incentive stock options (2017 - $124,499).

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(f) Warrants

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

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	-	$ -
Granted	2,901,918	0.310
Granted	3,000,000	0.050
Expired	(2,647,118)	0.310
Balance, December 31, 2017	3,254,800	$ 0.178
Granted [1]	750,000	0.050
Granted [2]	63,950,000	0.075
Expired	(3,254,800)	0.075
Balance, December 31, 2018	64,700,000	$ 0.075

(1) On February 26, 2018, in connection with the Company's private placement, 750,000 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.

(2) Subsequent to year-end 1,000,000 warrants were exercised by an officer of the Company at $0.075 for gross proceeds of $75,000.

(e) Obligation to Issue Common Shares

At December 31, 2018 the Company had an obligation to issue 8,424,943 class A Common Shares pursuant to warrant (note 10), 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 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. The warrants were exercised on April 18, 2019.

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.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

(f) Performance Shares

Effective January 1, 2016 the Company amended its employment agreement with Mr. Sukkarie, an officer and director of the Company. Under the revised agreement Mr. Sukkarie's 2016 salary of $222,000 shall be payable $72,000 in cash and the balance by the issuance of a total of 749,999 common shares in two equal instalments. Further, Mr. Sukkarie shall be entitled to up to 3,499,999 common shares ("Performance Shares") subject to meeting the following performance criteria.

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

The company has issued performance shares to a director. As of December 31, 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 $212,349 for the year ended December 31, 2018 (2017 - $nil) was recorded in the consolidated statement of loss.

17. INCOME TAXES

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

		For the Years ended December 31,		
		2018		**2017**
Loss before income taxes	$	(2,734,003)	$	(2,693,268)
Tax recovery based on the statutory rate of 27% (2017:206%)		(741,000)		(700,000)
Non-deductible items and other		255,000		296,000
Change in unrecognized deferred income tax assets		486,000		404,000
Income tax recovery	$	-	$	-

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

		For the Years ended December 31,		
		2018		**2017**
Non-capital loss carry-forwards	$	2,301,000	$	1,815,000
Unrecognized deferred tax assets		(2,301,000)		(1,815,000)
Net deferred tax asset	$	-	$	-

(Expressed in Canadian Dollars)

17. INCOME TAXES (continued)

As at December 31, 2018, the Company has estimated non-capital losses of $8,378,000 (2017 - $6,805,000) for Canadian income tax purposes that may be carried forward to reduce taxable income expiring in various amounts starting from 2030 to 2038.

18. REVENUE

Revenue for the year ended December 31, 2018 was $nil (2017 -$264,993) with $nil (2017 - $23,918) from engineering services, and $nil (2017 - $241,075) from product sales.

During the year ended December 31, 2018, $nil (2017 - $18,867) of revenue was attributable to the Company's affiliate company, Loop s.a.l.

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

19. EXPENSES BY NATURE

For the Year Ended December 31, 2018

	General and Administration	Research and Development	Sales and Marketing
Office expense	$ 163,470	$ 175,966	$ -
Accounting and legal	292,551	-	-
Consulting	178,825	419,766	122,130
Personnel	258,855	212,791	-
Travel	9,120	1,501	-
Totals	$ 902,821	$ 810,024	$ 122,130

For the Year Ended December 31, 2017

	General and Administration	Research and Development	Sales and Marketing
Office expense	$ 294,016	$ 207,896	$ 8,054
Accounting and legal	212,583	-	-
Consulting	80,898	149,559	184,667
Personnel	900,624	311,830	73,756
Travel	9,477	35,434	7,000
Totals	$ 1,497,598	$ 704,719	$ 273,477

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2018 the Company had a cash balance of $888,629 (2017 - $3,238) to settle current liabilities of $1,482,391 (2017 - $2,993,508).

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 December 31, 2018 and 2017, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies.

	December 31, 2018		**December 31, 2017**	
	US Dollars	Japanese Yen	US Dollars	Japanese Yen
Cash	38,497	115,001	2,305	655
Accounts receivable	15,000	1,219,121	132,300	43,645
Accounts payable	463,795	17,878,807	6,396	143,676
Total	517,292	19,212,929	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 convertible debentures are not subject to interest rate risk as they are a fixed rate. 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.

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital Management

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

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

Fair Value of Financial Instruments

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

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

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

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.

21. COMMITMENTS

At December 31, 2018 the Company had the following outstanding commitments:

Commitment	**Year ending December 31, 2019**	**Year ending December 31, 2020**	**Year ending December 31, 2020**
Office lease	$ 44,670	$ 45,992	$ 47,307
Inventory, scooters	484,220	-	-
Total commitments	**$ 528,890**	**$ 45,992**	**$ 47,307**

In order to ensure the Company is able to meet demand for its scooters, 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 not yet received are reported net of deposits made.

22. SEGMENT REPORTING

The Company operates in one operating segment. Its primary operations include the development and commercialization of hardware and software that is installed on two wheel electric vehicles. During the year ended December 31, 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 15% of the total assets of the Company. The remaining assets are held in Canada.

23. SUBSEQUENT EVENTS

On January 18, 2019, 500,000 incentive stock options, exercisable at a price of $0.05 per share, were granted to a director of the Company, 40% vesting in 12 months from the grant date; 30% vesting 24 months from the grant date; and 30% vesting 36 months from the grant date. The options expire on November 23, 2023.

On January 23, 2019, the Company entered into an Asset Purchase Agreement with Raytroniks to acquire the Scoot-E brand. Pursuant to the terms of the agreement, the Company issued 18,240,000 class A common shares to Raytroniks. The Company also issued 912,000 shares as a finder's fee. The shares are subject to vesting and escrow provisions.

On January 23, 2019, the Company entered into an agreement for financial marketing services. The term of the agreement is three years and the aggregate cost if US $250,000.

On February 15, 2019, $100,000 of debentures and $2,247 in accrued interest were converted at a conversion price of $0.05 and $0.11 respectively resulting in the issuance of 2,020,423 class A common shares.

On March 5, 2019, $15,000 of debentures and $403 in accrued interest were converted at a conversion price of $0.05 and $0.09 respectively resulting in the issuance of 1,054,474 class A common shares.

On March 15, 2019, 450,000 five-year incentive stock options, exercisable at a price of $0.11 per Share, were granted to employees of the Company, 40% vesting in 12 months from the grant date; 30% vesting 24 months from the grant date; and 30% vesting 36 months from the grant date.

On April 18, 2019, the Company issued 8,424,943 class A common shares for an effective 100% ownership and control of the Affiliate company (Note 10) as a result of the cashless exercise of pre-existing warrants by a 40% independent shareholder and investor in the Affiliate company. The shares are subject to an escrow agreement, with incremental releases over a 36-month period.

On April 18, 2019, $250,000 of debentures and $9,521 in accrued interest were converted at a conversion price of $0.05 and $0.11 respectively resulting in the issuance of 5,086,550 class A common shares.