

## LOOPShare Ltd.

### MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this “**MD&A**”) is dated June 10, 2020 and is intended to assist the reader in understanding the results of operations and financial condition of LOOPShare Ltd., the “Company” or “LOOPShare”). This MD&A should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019 which can be obtained from [www.sedar.com](http://www.sedar.com).

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

### CAUTION ON FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” and “forward-looking statements” (collectively “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation. When we discuss our strategy, plans, outlook, future financial and operating performance, financing plans, growth in cash flow and other events and developments that have not yet happened, we are making forward-looking statements. All statements in this MD&A that address events or developments that we expect to occur in the future are forward-looking statements, including the following:

- our intention to ship electric scooters equipped with our devices directly from the manufacturer;
- the development and capabilities of LOOPShare (as defined herein) platform to enable electric scooter sharing operations;
- our plan to launch operations by partnering with operators worldwide;
- our plans to sell connected electric scooters to LoopZone™ operators as part of a turnkey, “plug-and-play” business solution;
- plans to deploy electric scooters in cities globally;
- our expectations in relation to working capital;
- our expectations with respect to the partnership with OpenStreet;
- our expectations in relation to our future financial needs;
- our expectations with respect to the GreenMo (as defined herein) transaction; and
- our expectations with respect to the intellectual property acquired from Raytroniks and the sale of Scoot-E-Bike® branded electric scooters;
- the sales growth of the Scoot-E-Bike® branded electric scooters through from Amazon, Walmart.com, London Drugs and on [www.scootebike.ca](http://www.scootebike.ca).
- our expectations with respect to providing electric transportation solutions for delivery, hotel and resort operations;
- our expectations with respect to the potential partnership with Moduurn Mobility;
- our estimated expenditures for 2020; and
- our expectations with respect to future revenue generation.

Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as “expect”, “plan”, “anticipate”, “project”, “target”, “potential”, “schedule”, “forecast”, “budget”, “estimate”, “intend” or “believe” and similar expressions or their negative

connotations, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company’s control, including the following:

- our dependence on suppliers and customers;
- our untested business model;
- our completion of additional financing to continue operations;
- the impact of COVID-19 on global economic conditions;
- our ability to attract qualified operators;
- the competitive nature of the transportation sharing market; our ability to manage our growth;
- geopolitical risks;
- exchange rate risks;
- regulatory risks;
- our future operations;
- our dependence on key personnel; dilution to present and prospective shareholders;
- the rate of adoption and the Company’s associated growth in the anticipated markets may not be representative of rates of adoption or future growth in other markets;
- manufacturer safety recalls could create risks to the Company’s business;
- risks related to liabilities resulting from the use of the Company’s vehicles by customers;
- losses occur for which the Company does not have third-party insurance coverage increase or the Company’s insurance coverages prove to be inadequate;
- the Company may be a party to litigation in the normal course of business or otherwise, which could affect its financial position and liquidity;
- competition in the market for electric scooter sharing and rental services, as well as the direct to consumer sale of electric scooters;
- the Company’s manufacturing is subcontracted and as a result relies on third parties for the manufacturing and storing of equipment;
- the Company’s information systems may experience an interruption or breach in security;
- security breaches of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability;
- the Company may be exposed to damage to its business or its reputation by cybersecurity incidents
- the lack of a market for our securities; and
- our share price.

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

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

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

LOOPShare Ltd. (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 106 – 131

Water Street, Vancouver, BC V6B 4M3. The Company trades on the TSX Venture Exchange under the symbol “LOOP”, on the OTCQB under the symbol “LPPPF” and on the Frankfurt Exchange under the symbol “3KZ”.

During the year ended December 31, 2016, the Company acquired all of the outstanding securities of Saturna Green Systems Inc. (“Saturna”) in exchange for the issuance of securities of the Company and changed its name to LOOPShare Ltd. (the “Transaction”). The Company, with Saturna as its wholly owned subsidiary, now pursues the business of Saturna which is the expansion of its Loop™ micro-mobility rideshare system.

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. Saturna has developed a ruggedized 7” touch screen dashboard (“SVD400”) for factory installation.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. The Company is dependent upon raising debt and equity financing to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to develop and deploy its TaaS technology and micro-mobility rideshare system, 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, 2019, the Company had a net working capital deficiency of \$14,492 (December 31, 2018 - \$218,905 net working capital) and a cumulative deficit of \$18,133,015 (December 31, 2018 - \$12,582,374). These factors 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.

Subsequent to the year ended December 31, 2019, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant wide-spread stock market declines and the movement of people and goods has become restricted, affecting the supply, demand and pricing for many products and services. The electric transportation industry is expected to be impacted significantly as many local and regional governments have issued public health orders and travel restrictions in response to COVID-19. As the Company has no material operating income or cash flows, it is reliant on additional financing to fund ongoing operations. An extended disruption may affect the Company’s ability to obtain additional financing. The impact of these factors on the Company is not yet determinable; however, the Company’s financial position, results of operations and cash flows in future periods may be materially affected.

## **2. Business Model**

The Company's primary focus is on establishing a micro-mobility rideshare system, primarily using electric scooter-sharing, throughout the world through a network of third party operators. LOOPShare both operates its own fleet of electric scooters and plans to sell connected scooters to LoopZone™ operators as part of a turnkey, "plug-and-play" business solution. The Company will receive a revenue share from its LoopZone™ operators. The Company is also expanding its focus in electric transportation through the evaluation of providing electric transportation solutions for delivery, hotel and resort operations and direct to consumer sales of its Scoot-E-Bike® branded electric scooters.

### **3. Growth Strategy**

LOOPShare's business model is designed to be highly scalable, supported by software it has developed. "LOOP" branded scooters can be shipped from the factory in China to cities around the world, already homologated to meet local transport authority requirements and localized for market specific requirements.

LOOP plans to deploy its own fleet of electric scooters and engage local Zone Operators world-wide based on criteria developed for size of local market, financial capacity and operating requirements. In particular, the Company's expanded focus to providing electric transportation solutions for delivery, hotel and resort operations has provided a larger potential partner base. The COVID-19 pandemic has dramatically increased the demand for delivery services and the Company is moving to capitalize on this growth trend by renting its electric scooters to various business, including restaurants, for delivery purposes.

The Company is also ramping up its direct to consumer sales of its Scoot-E-Bike® branded electric scooters. The Scoot-E-Bike® will be available for sale through Amazon.com and is currently available on Walmart.com. The Company has placed an order for delivery of new Scoot-E-Bike® units from its manufacturer and once completed they will be available for purchase through these new sales channels. The Scoot-E-Bike will now be available from Amazon, Walmart.com, London Drugs and on www.scootebike.ca. The Company will provide an update once inventory has been delivered and is available for purchase through Amazon.

The Company has also executed a letter of intent with Moduurn Mobility Inc. ("Moduurn") of Victoria, British Columbia with respect to a potential partnership between the companies. Moduurn's mobile ordering platform, enables businesses of all sizes, to deploy their own brand of mobile ordering applications to serve their customers and employees from anywhere in the world. The Moduurn technology has been implemented into multiple sectors including restaurants, hotels, retail stores, grocery, cafeterias, golf courses, stadiums, and festivals. Moduurn's clients have included: BC Hydro, Compass Group, Husky Energy, Atco Logistics, Big Wheel Burger, Baan Thai Restaurant, and the 2014 Olympic Games in Sochi.

The potential partnership would involve the integration of Moduurn's mobile ordering platform with the Company's fleet of electric scooters and the LOOPShare technology platform. The Company and Moduurn will be able to provide a turn-key solution to businesses seeking to run a delivery operation, whether they be restaurants, pharmacies or similar businesses. This collaboration will provide business with an alternative to outsourcing delivery to third party providers and allow them to self-manage the process through an eco-friendly, affordable and easy to use application and electric transportation package. This in turn will allow business to garner higher margins from their delivery operations without a significant administrative burden.

### **4. Overall Performance**

a) Operations for the year ended December 31, 2019

On October 15, 2019, Mr. Sukkarie resigned as President & Chief Executive Officer of the Company. In connection with his resignation, the Company agreed to pay \$196,375 in amounts owing to Mr. Sukkarie and the transfer its 99.995% interest in Loop s.a.l. to Mr. Sukkarie which occurred effective October 15, 2019. Accordingly, the accounts of Loop s.a.l. were deconsolidated and a loss on discontinued operations of \$880,463 was recognized in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2019.

On February 13, 2019, the Company announced it has begun a worldwide expansion of its Loop™ micro-mobility rideshare system with the purchase of more than 400 custom-configured sit-down scooters from a top-tier global manufacturer. The Company received 56 of the e-scooters prior to year-end and 274 subsequent to year end with plans to deploy in Q4, 2020. Prior to the COVID-19 pandemic, the Company conducted pilot operations in Vancouver, British Columbia. The Company also shipped 55 new e-scooters to Loop s.a.l., with a further 55 new e-scooters delivered subsequent to year-end. Loop s.a.l. will deploy this fleet of e-scooters under the terms of its Master Zone Operator Agreement with the Company. Due to the COVID-19 pandemic, and ongoing civil unrest in Lebanon, Loop s.a.l. has delayed its deployment of this new fleet of scooters. Once these matters are resolved, the Company expects Loop s.a.l. will begin to generate revenues that the Company will receive its share of.

The Company also issued 1,824,000 class “A” common shares to Raytroniks, in return for a portfolio of intellectual property assets. The purchased assets include the rights to the ‘Scoot-E’ brand, including the trademarks for ‘Scoot-E®’, ‘Scoot-E-Bike®’ and ‘Scoot-E-Bike by Raytroniks®.’ The Company intends to integrate the ‘Scoot-E®’ brand into its portfolio of intellectual property and use it to help drive awareness of its core rideshare micro-mobility business model. The Company received the initial shipment of Scoot-E-Bikes in January 2020 and has begun to sell them direct to consumer. As noted above, the Scoot-E-Bike will now be available for purchase from Amazon, Walmart.com, London Drugs and on www.scootebike.ca.

b) Business Arrangement

On February 3, 2016 and November 14, 2016 the Company entered into agreements (collectively the “**Berytech Agreements**”) with Berytech Fund II s.a.l. (Holding) (“**BTFII**”), Berytech Fund Management s.a.l. (Holding) (“**BTFM**”), Loop s.a.l., and Anwar Sukkarie, a director and officer of the Company. Loop is a Lebanese company incorporated for the purpose of this business arrangement (the “**Berytech Business Arrangement**”).

Pursuant to the Berytech Agreements, BTFII advanced Loop USD 1,300,000 by way of an initial instalment of USD 610,000 and a second installment of USD 690,000. The amount could be increased to an aggregate of USD 2.5 million, upon agreement of all parties to the Berytech Agreements.

On April 18, 2019, the Company issued 842,494 class A common shares for an effective 100% ownership and control of the Affiliate company 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. Mr. Sukkarie also transferred his 59.995% ownership interest in Loop s.a.l. to the Company for a nominal amount (US\$1.00) as previously stipulated in the warrant terms. The remaining 0.005% of Loop s.a.l. continues to be owned by an independent director of Loop s.a.l., as required by Lebanese law for companies domiciled in the country. As noted above, on October 15, 2019 the Company transferred its 99.995% interest in Loop s.a.l. to Mr. Sukkarie.

c) GreenMo Transaction

April 8, 2019 the Company announced a letter of intent with GreenMo Rent BV (“**GreenMo**”) to expand its electric scooter ridesharing service into Europe.

The Company and GreenMo intended to launch a pilot deployment of 55 electric scooters for ridesharing in the Netherlands, with plans to expand the fleet after conclusion of the pilot rapidly. The transaction with GreenMo was conditional on the execution of a definitive agreement and the satisfaction of certain conditions that will be contained in the agreement. These conditions included, among other things, the receipt of all other necessary consents, approvals and authorizations required by either party, along with the Company having sufficient financing to proceed with the transaction. At this time GreenMo has started its own ridesharing services in the Netherlands and the Company does not currently intend to pursue this opportunity further.

d) OpenStreet

On September 17, 2019 the Company announced a partnership with OpenStreet Co., Ltd. with the goal of integrating the Company’s electric scooter telematics and digital dashboard technology with OpenStreet’s service in Japan. During the year ended December 31, 2019, the Company completed the initial integration work associated with this partnership. Upon the completion of the initial integration work, OpenStreet was to advise whether to proceed further with the partnership or not. At this time, OpenStreet has not indicated it is prepared to pursue a further partnership and the Company does not expect that OpenStreet will pursue a further partnership.

**5. Future Plans and Outlook**

The Company is planning to perform the following activities during the year ending December 31, 2020:

Plans
a) Prepare for the deployment of the over 30 VMOTO electric scooters as part of the Company’s scooter sharing operations in cities around the globe, initially through pilot operations and subsequently through full deployment which will likely occur in Q4 2020. In particular, the Company will focus on providing electric transportation solutions for delivery, hotel and resort operations.
b) Pursue sales growth of the Scoot-E-Bike® branded electric scooters through from Amazon, Walmart.com, London Drugs and on www.scootebike.ca.
c) Continue the evaluation of a potential partnership with Moduurn, and, if determined viable, implement the partnership to integrate Moduurn’s mobile ordering platform with the Company’s fleet of electric scooters and the Company’s technology platform

## 6. Summary of Annual Results

Annual results for the years ended December 31, 2019, 2018 and 2017 are as follows:

Results	2019	2018	2017
Total Revenue	\$ 29,634	\$ -	\$ 264,993
Cost of Sales	-	-	441,417
Gross Margin	29,634	-	(176,424)
Amortization	42,275	48,870	73,836
Amortization of Intangible Asset	202,892	-	-
Finance costs	547,570	83,555	34,546
General and administrative	1,686,183	902,821	1,497,598
Inventory write-down	277,810	47,386	-
Research and development	400,565	810,024	704,719
Sales and marketing	186,722	122,130	273,477
Share based compensation	494,427	251,350	124,499
Total Expenses	3,838,444	2,266,136	2,708,675
Net loss before other items	(3,808,810)	(2,266,136)	(2,885,099)
Currency gain (loss)	(7,211)	3,870	(13,761)
Other expense	-	(2,587)	-
Gain on settlement of debt	32,686	123,579	-
Gain (loss) on asset disposal	(5,988)	639	-
Gain on sale of mineral property interest	-	35,000	-
Settlement of debt with share exchange agreement	-	(1,000,000)	-
Listing expense	-	-	-
Government grant income	-	371,602	205,592
Impairment of intangible asset	(860,855)	-	-
Net Loss from continuing operations	(4,650,178)	(2,734,033)	(2,693,268)
Loss on discontinued operations	(880,463)	-	-
Net Loss	(5,530,641)	(2,734,033)	(2,693,268)
Other comprehensive (gain) loss	(1,281)	(11,705)	12,971
Total comprehensive loss	(5,531,922)	(2,745,738)	(2,680,297)
Loss per share – basic and diluted from continuing operations	\$ (0.39)	\$ (0.60)	\$ (0.60)
Loss per share – basic and diluted from discontinued operations	\$ (0.07)	\$ -	\$ -
Weighted average number of common shares	11,982,610	4,580,118	4,179,126

a) Revenue and Gross Margin

Revenue for the year ended December 31, 2019 was \$29,634 (2018 - \$Nil) which is comprised of \$29,634 (2018 - \$Nil) from engineering services. As this was a single purpose integration project, the Company does not expect this revenue to be continuing. The Company's future revenue is expected to result from rental/user fees for the use of its fleet of electric scooters and the sale of Scoot-E-Bikes.

Revenue for the year ended December 31, 2019 was derived 100% from Japan. There was no revenue for the year ended December 31, 2018.

Revenue for the year ended December 31, 2017 was \$264,993 with \$23,918 from engineering services, \$nil from the sale of software license and \$241,075 from product sales.

During the year ended December 31, 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.

b) Expenses

Overall total expenses for the year ended December 31, 2019 increased by 69% over the prior year. This increase is mainly due to finance costs in connection with the Company's convertible debentures, amortization in connection with the Company's intangible asset, financial marketing expenses, as well as payments made to the Company's former CEO.

i) General and Administrative

General and administrative expense for the year ended December 31, 2019, increased by 87% over the prior year. This increase is mainly due to an agreement entered into for financial marketing services for an aggregate cost of USD \$250,000, increases in headcount to personnel, and the payments made to the Company's former CEO.

ii) Research and Development Expense

Research and development expense for the year ended December 31, 2019 decreased by 51% over the prior year mainly due to the Company's significant advancement in software design and development.

iii) Sales and Marketing Expense

Sales and marketing expense for the year ended December 31, 2019 increased by 53% over the prior year. The increase was due to the addition of key personnel to assist with the Company's strategic partnerships.



iv) Share Based Compensation Expense

The share-based compensation expense for the year ended December 31, 2019 of \$494,427 is comprised of \$305,157 share-based compensation to Anwar Sukkarie for his performance shares, and \$189,270 share-based compensation for the vesting of options granted in 2016, 2018, and the grant of 435,000 options during the period. Share-based compensation for the prior period was \$251,350 and primarily comprised of share-based compensation to Anwar Sukkarie (compensation and performance shares) and the vesting of options granted in 2016 and the grant of 5,580,000 options during the year.

v) Finance costs

Finance costs for year ended December 31, 2019 is \$547,570 compared to \$83,555 during the year ended December 31, 2018. Finance costs are mostly comprised of \$173,771 (2018 - \$23,578) accretion expense and \$261,473 (2018 - \$33,289) interest expense in connection with the Company's convertible debentures.

Summary of Quarterly information:

	For the quarters ended							
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	(8,561)	38,195	-	-	-	-	-	-
Cost of Sales	395	(395)	-	-	-	-	-	-
Gross Margin	8,166	(37,800)	-	-	-	-	-	-
Total expenses	1,234,615	879,161	731,233	993,435	1,100,821	330,540	323,657	511,118
Net loss before other items	(1,242,781)	(841,361)	(731,233)	(993,435)	(1,100,821)	(330,540)	(323,657)	(511,118)
Exchange gain (loss)	(1,292)	(22,688)	28,309	(11,540)	70,839	(13,078)	(46,213)	(7,678)
Gain on settlement of debt and accounts payable	32,686	-	-	-	123,579	-	-	-
Other income	-	-	-	-	-	-	-	-
Other expense	-	-	-	-	(2,587)	-	-	-
Gain (loss) on asset disposal	(5,988)	-	-	-	639	-	-	-
Gain on sale of mineral property interest	-	-	-	-	-	-	35,000	-
Loss on settlement of debt with share exchange agreement	-	-	-	-	(1,000,000)	-	-	-
Government grant income	-	-	-	-	-	-	371,602	-
Impairment on intangible asset	(860,855)	-	-	-	-	-	-	-
Net income (loss) from continuing operations	(2,078,230)	(864,049)	(702,924)	(1,004,975)	(1,908,351)	(343,618)	36,732	(518,796)
Loss on discontinued operations	(880,463)	-	-	-	-	-	-	-
<b>Net Loss</b>	<b>(2,958,693)</b>	<b>(864,049)</b>	<b>(702,924)</b>	<b>(1,004,975)</b>	<b>(1,908,351)</b>	<b>(343,618)</b>	<b>36,732</b>	<b>(518,796)</b>
Other comprehensive income (loss)	9,549	800	(4,478)	(7,152)	13,767	25,948	(34,037)	(17,383)
Total comprehensive income (loss)	(2,949,144)	(863,249)	(707,402)	(1,012,127)	(1,894,584)	(317,670)	2,695	(536,179)
Loss (gain) per share – basic and diluted from continuing operations	\$0.25	\$0.08	\$0.06	\$0.12	\$0.42	\$0.08	(\$0.01)	\$0.10
Loss per share – basic and diluted	\$0.07	-	-	-	-	-	-	-

from discontinued  
operations

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company's loss generally increased up to the quarter ended December 31, 2019 due to the disposition of Loop s.a.l. (as discussed below). Revenues that occurred in the quarters ended December 31, 2019 and September 30, 2019 are not expected to be continuing. As discussed above, the Company's future revenue is expected to result from rental/user fees for the use of its fleet of electric scooters and the sale of Scoot-E-Bikes. The Company will continue to incur losses until such time as its business reaches sufficient scale such that enough revenues are being generated to cover operating and other costs. The impact of COVID-19 is still unknown but it is expected to increase the net loss for the year ended December 31, 2020 due to lower than expected revenues.

#### **Fourth Quarter Results**

Net loss of \$2,958,693 for the quarter ended December 31, 2019 represented a 55% increase compared to a net loss of \$1,908,351 for the quarter ended December 31, 2018. This increase is mostly due to a loss on discontinued operations (\$880,463) and an impairment on intangible asset (\$860,855).

There are no known trends or seasonal impacts on the Company's business although it is anticipated that seasonal trends will develop as the Company grows, which will be mitigated in part due to the planned global nature of the Company's business.

#### **7. Financial Position**

Summary of Financial Position	December 31, 2019	December 31, 2018
Current assets	\$1,646,478	\$1,701,296
Total assets	\$2,023,861	\$1,737,605
Current and total liabilities	\$1,686,107	\$4,056,727
Deficit	\$(18,113,015)	\$(12,582,374)
Shareholders' equity (deficiency)	\$337,754	\$(2,319,122)

##### a) Assets

The 3% decrease in current assets was mainly due to a decrease in cash of \$2,835,828 used for operating purposes offset with \$2,727,074 in cash from financing activities.

As at December 31, 2019, total assets increased by 16% from total assets at December 31, 2018 primarily due to the acquisition of the Scoot-E brand which has been recorded as an intangible asset on the balance sheet as well as the receipt of loop scooters capitalized to property & equipment.

b) Liabilities

Total liabilities as at December 31, 2019 decreased by \$2,370,620 compared to December 31, 2018. This is primarily due to the Company exercising all of its convertible debentures during the year ended December 31, 2019.

c) Foreign Currency Loss

During the year ended December 31, 2019 the Company realized a currency loss of \$1,281 (2018 – \$11,705).

**8. Non-recurring Transactions**

Not Applicable

**9. Liquidity and Capital Resources**

The Company is reliant on its ability to raise capital in order to settle its debts as they come due. As at December 31, 2019, the Company had a net working capital deficiency of \$14,492; a decrease in working capital of \$233,397 over its December 31, 2018 working capital of \$218,905.

Current operating capacity for the year ending December 31, 2020 is estimated to be \$2,800,000, comprised \$1,890,000 of operating expenditures based on expenditures for the year ended December 31, 2019, less non-recurring costs and adjusted based on management's estimates. Additional capital will be required to meet estimated operating expenditures for 2020.

Estimated operating expenditures for the ensuing 12 month period ending December 31, 2020 (not committed)	<b>Required funding</b>
Research and Development	\$400,000
Sales and marketing	\$200,000
General and Administrative	\$1,600,000
Inventory	\$600,000
<b>Total funds required for operations</b>	<b>\$2,800,000.00</b>

As at December 31, 2019, the Company had \$661,121 cash, a decrease of \$227,508 compared to a cash balance of \$888,629 at December 31, 2018. The decrease was primarily due to cash used for operating activities of \$2,835,828 offset with cash received from financing activities of \$2,727,074 as well as the purchase of inventory during the year ended December 31, 2019.

The Company does not have sufficient cash or revenues to fund its operations for the year ended December 31, 2020. The Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company will be required to fund its ongoing operations from future operating surpluses,

if they exist, or from raising additional equity financing. 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.

## 10. Financial Instruments

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, 2019 the Company had a cash balance of \$661,121 (2018 - \$888,629) to settle current liabilities of \$1,660,970 (2018 - \$1,482,391).

### 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, 2019 and 2018, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies.

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	US Dollars	Japanese Yen	US Dollars	Japanese Yen
Cash	20,971	5,632	38,497	115,001
Accounts receivable	-	85,654	15,000	1,219,121

Accounts payable	94,002	14,720,800	463,795	17,878,807
Total	114,973	14,812,086	517,292	19,212,929

### **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.

### **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:

## **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:

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Salary & management fees	\$ 166,369	\$ 128,000
Consulting	212,400	54,200
Directors' fees	40,000	-
Rent to a company controlled by a director	9,000	-
Share-based compensation accrued/paid	403,018	20,728
Gain on settlement of debt	32,686	207,060
	<b>\$ 863,473</b>	<b>\$ 409,988</b>

The following amounts are payable and due to/from related parties as at December 31, 2019 and 2018:

	<b>December 31,</b>	
	<b>December 31, 2019</b>	<b>2018</b>
Companies controlled by directors and officers	\$ 51,825	\$ 323,096
Amounts due to the former CEO and president	196,375	16,172
Shares to be issued to the former CEO and president	75,000	75,000
Due from directors and officers	(55,000)	(17,481)
Due to directors and officers	8,130	4,200
	<b>\$ 276,330</b>	<b>\$ 400,987</b>

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

During the year ended December 31, 2019, the Company entered into debt settlement agreements with the former CEO and President, after his resignation, where the Company agreed to pay a performance bonus of \$101,375.

As at December 31, 2019, the Company has an obligation to issue class A common shares to a former CEO and president of the Company in the amount of \$75,000 (2018 - \$75,000).

As at December 31, 2019, the Company had issued all performance shares to a former director and officer of the Company.

During the year ended December 31, 2019, Directors of the Company converted into share capital \$383,188 (2018 purchased - \$412,500) convertible debentures of the Company.

### **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 75,000 common shares in two equal instalments. Further, Mr. Sukkarie shall be entitled to up to 349,999 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)	149,999
Six (6)	200,000
<b>Total</b>	<b>349,999</b>

The 349,999 class A common were issued during the year ended December 31, 2019 and stock-based compensation of \$305,157 (2018- \$212,352) was recognized in the consolidated statements of loss and comprehensive loss.

### **Royalty Arrangement**

On May 29, 2016 the Company revised the terms of a royalty agreement that was previously entered into in 2014 with a corporation, 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") was to be calculated quarterly and payable in common shares of the Company and the market value on the issue date. Directors and officers held a beneficial interest of 70% of the royalty company and collectively had a 33% voting interest.

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

During the year ended December 31, 2018 the Company entered into a share exchange agreement with the Royalty Company whereby the Company acquired all of the issued and outstanding capital of the Royalty Company in exchange for the issuance of 2,000,000 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 revenues it was determined that this contingent asset had no value and therefore it 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. Off Balance Sheet Arrangements**

On February 3, 2016 the Company entered into the Berytech Agreement, amended on September 7, 2016 under the Additional Investment Agreement, as more particularly described in note 11 to the Company's audited financial statements for the year ended December 31, 2019, and in the Company's Filing Statement dated May 29, 2016.

As of the date of this MD&A, BTFII has invested USD 1,300,000 in Loop pursuant to the Berytech Business Arrangement. The investment is comprised USD 1,280,000 of debt and USD 20,000 for a 40% interest in Loop. On November 14, 2016 the Company has issued a warrant to BTFII, which provides BTFII with the right to acquire 842,494 common shares of the Company at a deemed average exercise price of CAD \$2.06 per share (the "**Berytech Warrant**"). Consideration for the exercise of the Berytech Warrant will be comprised of Berytech's debt and equity interest in Loop. Berytech may exercise the Berytech Warrant at any time, however the Berytech Warrant will exercise automatically on February 3, 2019 if it still remains outstanding, subject to the Company and Berytech entering into a share transfer agreement and subject to Lebanese law.

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

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

On April 18, 2019, the Company issued 842,494 class A common shares for an effective 100% ownership and control of the Affiliate company 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.

At the date of acquisition, the Company acquired information to determine the fair value of net identifiable assets acquired as at the acquisition date. Based on the acquisition date, the initial purchase price was



allocated on a provisional basis to the fair value of the net identifiable assets based on the Company's best estimate of fair value.

On October 15, 2019, Mr. Sukkarie resigned as President & Chief Executive Officer of the Company. In connection with his resignation, the Company settled \$460,000 in amounts owing to Mr. Sukkarie through the transfer of its 99.995% interest in Loop s.a.l. to Mr. Sukkarie which occurred effective October 15, 2019. As of October 15, 2019, the Company no longer has any ownership interest in Loop s.a.l.; however, Loop s.a.l. remains a Master Zone Operator of the Company for the territory that includes the Middle East, Africa and Cyprus. The Company is entitled to a share of the revenue of the operations of Loop s.a.l.

### **13. Outstanding Share Data**

As at the date of this MD&A, the Company had 29,844,797 class A common shares, 7,542,787 share purchase warrants and 2,485,000 stock options outstanding. The Company also has \$557,595 principal amount of convertible debentures outstanding, which if converted would result in the issuance of 1,563,560. These numbers have been adjusted for the Company's consolidation of its class A common shares on the basis of one (1) post-consolidation share for every ten (10) pre-consolidated shares.

### **14. Risk Factors**

The Company's business is subject to significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain of the more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to above, are listed hereunder.

#### **Ability to Obtain Additional Capital**

The ability of the Company to execute its business strategy and achieve profitability will depend on acquiring substantial additional financing through debt financing, equity financing, a strategic corporate transaction or other means. There are no assurances that such financing will be available, or if available, available upon terms acceptable to the Company. Failure to obtain such financing may result in the delay or indefinite postponement of such growth strategy or even impact the ability of the Company to continue as a going concern.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may change and shareholders may suffer dilution. If additional financing is not available, or if available, not available on satisfactory terms, this could result in a material adverse effect or could require the Company to reduce, delay, scale back or eliminate portions of its actual or proposed operations at the applicable time or could prevent the Company from continuing as a going concern. In such circumstance, purchasers could lose their entire investment in the Company.

#### **A Localized Epidemic or Global Pandemic**

A widespread outbreak of influenza or any other similarly communicable illness, occurring in the United States or Canada, or a World Health Organization travel advisory primarily relating to North American

cities or regions could affect the Company's ability to continue full operations and could materially adversely affect customer demand for the Company's electric transportation solutions. The current outbreak of the novel coronavirus (COVID-19) that was first reported from Wuhan, China in December 2019, and any future emergence and spread of similar pathogens could have a material adverse effect on global economic conditions which may adversely impact our business and results of operations and the operations of our suppliers, contractors and service providers, and the demand for our electric transportation solutions. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to many other countries and infections have been reported globally. The spread of the coronavirus may have a significant adverse impact on our workforce, production levels, and our ability to launch charter operations.

The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others.

**General economic conditions may adversely affect the Company's growth, future profitability, ability to finance and operations**

Global financial conditions continue to be characterized as volatile. In recent years, global markets have been adversely impacted by various credit crises and significant fluctuations in metals prices and fuel and energy costs. Many industries have been impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to future events. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and profitability. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on investor confidence and general financial market liquidity, all of which may adversely affect our business and the market price of our securities.

**The Company has a history of losses and expects to incur losses for the foreseeable future**

The Company has incurred losses since its inception and expects to incur losses for the foreseeable future. The Company expects to continue to incur losses unless and until such time as it generates sufficient revenues to fund continuing operations. The deployment of the Company's business strategy will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of the licensing process, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, and the execution of agreements with strategic partners and service providers. Some of these factors are beyond the Company's control. There can be no assurance that the Company will ever achieve profitability.

**Electric scooter sharing is a relatively new market, and the rate of adoption and the Company's associated growth in the anticipated markets may not be representative of rates of adoption or future growth in other markets.**

Electric scooter sharing, including the rental model for delivery purposes, is a relatively new and rapidly

evolving market and the Company is a recent entrant to the market still in the process of growing brand awareness and developing its base of clients and customers. As the rideshare market grows, municipalities and other regulatory bodies are increasingly implementing more rigorous permitting processes, which can be difficult and costly to navigate. If the market for electric scooter sharing fails to grow or grows more slowly than the Company currently anticipates, the Company's business would be negatively affected.

**Manufacturer safety recalls could create risks to the Company's business.**

The Company electric scooters and constituent parts may be subject to safety recalls by the Company's manufacturing partner or constituent parts manufacturers. Under certain circumstances, the recalls may cause an interruption of the service. The Company and its operating partners may decline to allow electric scooters to be used until the Company can arrange for the steps described in the recalls to be taken. If a large number of vehicles are the subject of simultaneous recalls, or if needed replacement parts are not in adequate supply, recalled vehicles may not be used in operations for a significant period of time. Depending on the severity of the recall, it could materially adversely affect the Company's revenues, create bad will with some of the subscribers and harm the Company's general reputation and brand.

**The Company faces risks related to liabilities resulting from the use of the Company's vehicles by customers.**

The Company's business may expose it to claims for personal injury, death and property damage resulting from the use of electric scooters by customers. For example, a subscriber, rental client, or Scoot-E-Bike purchaser, may be using a electric scooter that has a defect or some mechanical or other problem that contributes to an accident that results in a death or significant property damage for which the Company may be liable. In addition, it is expected that the Company will depend on the customers, zone operator partners and consumers to inspect the vehicles prior to driving in order to identify any potential damage or safety concern with the vehicle.

**The Company could be negatively impacted if losses for which the Company does not have third-party insurance coverage increase or the Company's insurance coverages prove to be inadequate.**

The Company does not expect to have third-party insurance coverage for bodily injury and property damage resulting from subscriber accidents involving the Company's electric scooters. The Company anticipates that individual operators will obtain liability insurance in respect of each electric scooter in service in such city. The Company expects to account for vehicle damage or total loss at the time such damage or loss is incurred. Also, because the Company will be responsible for damage to vehicles, deterioration in claims management, whether by management or by a third-party claims administrator, could lead to delays in settling claims, thereby increasing claim costs. In addition, catastrophic uninsured claims filed against the Company or the inability of insurance carriers to pay otherwise-insured claims would have an adverse effect on financial condition.

**The Company may be a party to litigation in the normal course of business or otherwise, which could affect its financial position and liquidity**

From time to time, the Company is a party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, both inside and outside Canada, arising in the ordinary course of our business or otherwise. The Company is currently involved in legal proceedings and claims that have not yet been fully resolved, and additional claims may arise in the future. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final

outcome depending on a number of variables, some of which are not within our control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although the Company will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. For these and other reasons, the Company may choose to settle legal proceedings and claims, regardless of their actual merit. If a legal proceeding is resolved against the Company, it could result in significant compensatory damages, and in certain circumstances punitive or trebled damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief imposed on us. If our existing insurance does not cover the amount or types of damages awarded, or if other resolution or actions taken as a result of the legal proceeding were to restrain the Company's ability to operate or market our services, our consolidated financial position, results of operations or cash flows could be materially adversely affected. In addition, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to the Company's reputation, which could adversely impact its business.

**The market for electric scooter sharing and rental services, as well as the direct to consumer sale of electric scooters, is becoming increasingly competitive, and if the Company fails to compete effectively the Company's business will suffer.**

The Company expect that the competitive environment for the Company's electric scooter sharing and rental services, as well as direct to consumer sale of electric scooters, will become more intense as additional companies enter the Company's anticipated markets. In addition, competitors may increase the number of vehicles in their fleets or enhance the vehicle offerings in their existing fleets to be more competitive. Some of the Company's competitors may respond more quickly to new or emerging technologies and changes in driver preferences or requirements that may render the Company's services less desirable or obsolete. These competitors could introduce new solutions with competitive price and convenience characteristics or undertake more aggressive marketing campaigns than the Company anticipates undertaking. The Company believes that price is one of the primary competitive factors in the Company's market and pricing in the Company's markets is very transparent. The Company's competitors, some of whom may have access to substantial capital, may seek to compete aggressively on the basis of pricing. To the extent that the Company decreases the Company's anticipated pricing as a result of downward pricing by the Company's competitors and are not able to reduce the Company's operating costs, it could have a material adverse impact on the Company's results of operations, as the Company may lose subscribers and renters and experience a decrease in Scoot-E-Bike sales.

**The Company's manufacturing is subcontracted and as a result relies on third parties for the manufacturing and storing of equipment. Changes in these agreements could adversely impact the Company.**

The Company currently subcontracts manufacturing. Changes in the ability to import and export products as a result of changes in government regulations, tariffs, or prices could adversely impact the Company's ability to adequately ensure that a sufficient number of electric scooters are available to meet business needs. If agreements with manufacturers are terminated, the Company may not be able to fulfill short-term equipment requirements and could have an insufficient number of electric scooters available for use until it secures a new manufacturer. The Company typically stores electric scooters inside city warehouses. Changes to agreements with municipalities could require significant expenditures on the part of the Company to secure new means to store electric scooters.

**The Company's information systems may experience an interruption or breach in security.**

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company's business relies on data processing and communications systems. In addition to better serving clients, the effective use of technology increases efficiency and enables the Company to reduce costs. Adapting or developing technology systems to meet new regulatory requirements, client needs, and competitive demands is critical. Introduction of new technology presents challenges on a regular basis. There are significant technical and financial costs and risks in the development of new or enhanced applications, including the risk that the Company might be unable to effectively use new technologies or adapt existing applications to emerging industry standards. The Company's continued success depends, in part, upon our ability to: (i) successfully maintain and upgrade the capability of our technology systems; (ii) address the needs of our clients by using technology to provide products and services that satisfy their demands; and (iii) retain skilled information technology employees. Failure of our technology systems, which could result from events beyond our control, or an inability to effectively upgrade those systems or implement new technology-driven products or services, could result in financial losses, liability to clients, violations of applicable privacy and other applicable laws and regulatory sanctions.

**Security breaches of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability.**

The expectations of sound operational and informational security practices have risen among our clients and vendors, the public at large and regulators. Our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, cyber-attacks and breakdowns. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although cyber security incidents are on the rise, we have not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that we will not suffer such losses in the future.

Despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code and other events that could have an impact on the security and stability of our operations. Notwithstanding the precautions we take, if one or more of these events were to occur, this could jeopardize the information we confidentially maintain, including that of our clients and counterparties, which is processed, stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients and counterparties. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications. A technological breakdown could also interfere with our ability to comply with financial reporting and

other regulatory requirements, exposing us to potential disciplinary action by regulators.

In providing services to clients, we may manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we may be subject to numerous laws and regulations designed to protect this information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Potential liability in the event of a security breach of client data could be significant.

### **The Company may be exposed to damage to its business or its reputation by cybersecurity incidents**

As the world becomes more interconnected through the use of the internet and users rely more extensively on the internet for the transmission and storage of data, such information becomes more susceptible to incursion by hackers and other parties intent on stealing or destroying data on which the Company or our clients rely. These cybersecurity incidents have increased in number and severity and it is expected that these trends will continue. Should the Company be affected by such an incident, we would be exposed to legal liability, loss of reputation as well as increased costs related to protection of systems and providing relief to clients. It is impossible for the Company to know when or if such incidents may arise or the business impact of any such incident.

### **The Company's securities are subject to price volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not been necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding any potential success in creating revenues, cash flows or earnings. The value of the Company's common shares will be affected by such volatility.

## **15. Non-IFRS Measures**

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

### **New accounting standards effective January 1, 2019**

Effective January 1, 2019 the Company adopted IFRS 16 using the modified prospective approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 have not been restated and continue to be reported under IAS 17.

The Company has one lease agreement for its office premises in Vancouver which was entered into on February 1, 2019. The lease agreement will expire on January 31, 2022 with no renewal option.

The Company has elected to record the right-of-use asset based on the corresponding lease liability. For recording the new right-of-use asset under IFRS 16, for the lease of its office, the Company discounted future lease payments using its incremental borrowing rate as at February 1, 2019 which was 12% per annum.

The recognized right-of-use asset relates to the Company's lease agreement which is included under property and equipment in the consolidated statement of financial position as follow:

	<b>December 31, 2019</b>	<b>February 1, 2019</b>
Right-of-use asset, net book value	\$ 45,748	\$ 65,876
Lease Liability	\$ 46,748	\$ 65,876

The short-term liability for the lease as at December 31, 2019 is \$21,611 and the long-term portion is \$25,137. Depreciation expense of \$20,129 on the right-of-use asset and interest expense of \$6,180 year were recognized during the year ended December 31, 2019

## 16. Subsequent Events

On January 3, 2020, 1,645,000 incentive stock options, exercisable at a price of \$0.40 per share, were granted to directors, officers, employees and consultants of the Company, 50% vesting on the grant date; and 50% vesting 12 months from the grant date. The options expire January 3, 2025.

On January 22, 2020, the Company restructured a bridge loan whereby \$257,595 of the principal amount of the existing loan was converted into convertible debentures. The debentures have a maturity date of 3 years and bear interest at a rate of 10% per annum. The principal amount of the debentures are convertible into class A common shares at a conversion price of \$0.385. An aggregate of 334,538 share purchase warrants were issued to in connection with the conversion. Each warrant is exercisable into one class A common share at an exercise price of \$0.385 per warrant and expire on January 22, 2023.

On January 29, 2020, a shareholder exercised 50,000 warrants at an exercise price of \$0.50 resulting in the issuance of 50,000 class A common shares.

On March 18, 2020, the Company entered into an inventory financing agreement in the form of newly issued convertible debentures with a principal amount of \$300,000. The terms of the Debentures include: a maturity date of March 18, 2023; interest (the "Interest") at the rate of 10% per annum, which Interest will be payable on the Maturity Date, unless earlier converted; the principal amount of the Debenture is convertible into class A common shares of the Company (each, a "Share") at the option of the holder at a conversion price of \$0.50 per Share; an aggregate of 600,000 detachable share purchase warrants (each a

"Warrant") are issuable to the Lender.

Each Warrant is exercisable into one additional Share (each, a "Warrant Share") at an exercise price of \$0.50 per Warrant Share and expire on March 18, 2021; the accrued and unpaid Interest is convertible into Shares at a conversion price equal to the Market Price (as such term is defined in the Policies of the TSX Venture Exchange, at the time of such conversion.

In connection with Mr. Sukkarie's resignation as President & Chief Executive Officer of the Company, the Company agreed to certain terms with Mr. Sukkarie in connection with his resignation including: (i) the vesting and issuance of his 349,999 performance shares (issued effective December 31, 2019); (ii) the repayment of a \$95,000 loan provided by Mr. Sukkarie to the Company on December 31, 2019 (the "Sukkarie Loan"); and (iii) a payment of \$291,000 (less the amount of US\$146,000) (the "Sukkarie Payment"). Further, pursuant to the terms of a Voluntary Escrow Agreement (the "Sukkarie Escrow Agreement"), Mr. Sukkarie was required to, among other obligations, deposit his common shares of the Company into escrow.

The Company determined that Mr. Sukkarie had not complied with the Sukkarie Escrow Agreement and therefore did not make the payments for the Sukkarie Loan or the Sukkarie Payment on December 31, 2019. Mr. Sukkarie has filed a Notice of Civil Claim in the Supreme Court of British Columbia against the Company and Saturna alleging an entitlement to the Sukkarie Loan (\$95,000) and the Sukkarie Payment (\$101,375.20), plus interest and costs. The Company filed a response to Mr. Sukkarie's Notice of Civil Claim on the basis that Mr. Sukkarie had failed to comply with the terms of the Sukkarie Escrow Agreement as he had not, as of December 31, 2019, deposited all of his common shares into escrow or otherwise fully complied with the terms of the Sukkarie Escrow Agreement.

In addition, the Company has filed a Counterclaim against Mr. Sukkarie on the basis that Mr. Sukkarie breached his fiduciary duty and common law duties owing to the Company, including the duties to act honestly and in good faith with a view to the best interests of the Company. The Counterclaim alleges that Mr. Sukkarie took steps to divert a corporate opportunity of the Company to himself or an entity under his control. The Counterclaim also alleges that Mr. Sukkarie breached the terms of a severance agreement by making disparaging comments about the Company's management to a third party. Further, the Counterclaim alleges that Mr. Sukkarie breached his Employment Agreement by disclosing confidential information of the Company to an unauthorized third party. In the Counterclaim, the Company is seeking damages for breach of contract, breach of fiduciary duty, plus interests and costs. At this time, the Company is unable to quantify the potential damages from the Counterclaim.

The outcome and timing of both the claim filed by Mr. Sukkarie and the Counterclaim by the Company are uncertain at this time.

## **17. Approval**

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