LOOPShare Ltd.

Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2021 and 2020

LOOPShare Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021 and December 31, 2020

(Expressed in Canadian Dollars)

	Note		June 30, 2021		December 31, 2020
Assets					
Current assets:					
Cash		$	7,659	$	35,626
Accounts receivable	5		12,828		43,758
Prepaid expenses and deposits	6		55,987		207,293
Inventory	7		398,874		351,632
Total current assets			475,348		638,309
Non-current assets:					
Right of use asset	8,14		9,148		23,788
Total Assets		**$**	**484,496**	**$**	**662,097**
Liabilities and Shareholders' Equity (Deficiency)					
Current liabilities:					
Accounts payable and accrued liabilities	10	$	1,021,233	$	972,072
Accrued compensation	10		64,089		118,346
Due to related parties	12		110,532		49,481
Loan payable	13		274,665		244,665
Convertible debentures and related interest	15		331,268		317,956
Lease liability	14		15,061		24,931
Total current Liabilities			1,816,848		1,727,451
Non-current liabilities:					
Lease liability	14		-		2,213
Convertible debentures and related interest	15		270,216		247,157
Loan payable	13		19,602		17,756
Total Liabilities		**$**	**2,106,666**	**$**	**1,994,577**
Shareholders' Equity (Deficiency)					
Class A common share capital	16	$	17,422,161	$	17,278,661
Reserves			2,362,950		2,326,941
Deficit			(21,383,829)		(20,914,630)
Accumulated other comprehensive loss			(23,452)		(23,452)
Total Shareholders' Equity (Deficiency)		**$**	**(1,622,170)**	**$**	**(1,332,480)**
Total Liabilities and Shareholders' Equity (Deficiency)		**$**	**484,496**	**$**	**662,097**

Going concern – Note 2

Subsequent events – Note 20

Approved by the directors:

___"MATTHEW CLAYTON"______ ______ROOP MUNDI"__________

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

LOOPShare Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

		For the Three Months ended June 30,		For the Six Months ended June 30,	
		2021	**2020**	**2021**	**2020**
	Note				
Revenue	17	$ 35,573	$ 577,138	$ 208,907	$ 616,338
Cost of Sales		(23,891)	(363,746)	(197,412)	(391,039)
Gross Margin		11,682	213,392	11,495	225,299
Expenses					
Operating expenses:					
Amortization of intangible asset	9	-	12,500	-	75,687
Depreciation	8	7,320	32,487	14,640	69,176
Finance costs	13,14,15	21,742	25,250	47,211	217,329
General and administrative	18	130,628	289,833	282,180	622,196
Research and development	18	-	10,024	-	52,067
Sales and marketing	18	110,293	48,113	218,433	102,682
Share-based compensation	16	16,753	93,739	36,009	418,317
Total expenses		286,736	511,946	598,473	1,557,454
Net loss before other items		$ (275,054)	$ (298,554)	$ (586,978)	$ (1,332,155)
Other items					
Currency exchange gain (loss)		1,953	(17,502)	81,633	20,498
Gain on settlement of accounts payable	10	-	75,000	52,270	75,000
Gain on modification of debt	15	14,376	-	14,376	-
Loss on settlement of debt	16	-	-	(30,500)	-
Net Loss		**$(258,725)**	**$ (241,056)**	**$(469,199)**	**$(1,236,657)**
Other comprehensive loss					
Foreign currency translation adjustment		-	31,949	-	(37,175)
Total Comprehensive Loss		**$(258,725)**	**$ (209,107)**	**$(469,199)**	**$(1,273,832)**
Loss per share – basic and diluted		**$ (0.08)**	**$ (0.07)**	**$ (0.15)**	**$ (0.43)**
Weighted average number of common shares		**3,209,468**	**2,984,478**	**3,185,439**	**2,983,683**

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

LOOPShare Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

For Six Months Ended June 30, 2021 and Year Ended December 31, 2020

(Expressed in Canadian Dollars)

	Class A Common Shares	Amount ($)	Reserves: Stock Options ($)	Reserves: Warrants ($)	Reserves: Contributed Surplus ($)	Reserves: Total Reserve ($)	Shares to be Issued ($)	Deficit ($)	Accumulated Other Comprehensive Loss ($)	Total ($)
Balance, December 31, 2019	**2,979,479**	**17,208,661**	**769,095**	**200,376**	**207,060**	**1,176,531**	**75,000**	**(18,113,015)**	**(9,423)**	**337,754**
Share-based compensation	-	-	722,393	-	-	722,393	-	-	-	722,393
Shares issued for cash – Exercise of warrants	5,000	25,000	-	-	-	-	-	-	-	25,000
Shares issued for debt settlement	60,000	45,000	-	-	-	-	-	-	-	45,000
Issuance of convertible debentures	-	-	-	-	293,680	293,680	-	-	-	293,680
Warrants issued for loan payable	-	-	-	134,337	-	134,337	-	-	-	134,337
Settlement of debt with related party	-	-	-	-	-	-	(75,000)	-	-	(75,000)
Comprehensive loss for the year	-	-	-	-	-	-	-	(2,801,615)	(14,029)	(2,815,644)
Balance, December 31, 2020	**3,044,479**	**17,278,661**	**1,491,488**	**334,713**	**500,740**	**2,326,941**	**-**	**(20,914,630)**	**(23,452)**	**(1,332,480)**
Share-based compensation	-	-	36,009	-	-	36,009	-	-	-	36,009
Shares issued for debt settlement	165,000	143,500	-	-	-	-	-	-	-	143,500
Shares consolidation adjustment	(11)	-	-	-	-	-	-	-	-	-
Comprehensive loss for the period	-	-	-	-	-	-	-	(469,199)	-	(469,199)
Balance, June 30, 2021	**3,209,468**	**17,422,161**	**1,527,497**	**334,713**	**500,740**	**2,362,950**	**-**	**(21,383,829)**	**(23,452)**	**(1,622,170)**

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

LOOPShare Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

		For the Six Months ended June 30,		
		2021		**2020**
Cashflow provided by (used in) operating activities:				
Net loss	$	(469,199)	$	(1,236,657)
Items not involving cash				
Amortization of intangible asset		-		75,687
Depreciation		14,640		69,176
Finance costs		47,211		216,687
Share-based payment		36,009		418,317
Gain on settlement of accounts payable		(52,270)		(75,000)
Gain on modification of debt		(14,376)		-
Loss on settlement of debt		30,500		-
Changes in non-cash working capital				
Accounts receivable and due from related party		91,981		(3,279)
Prepaid expenses and deposits		151,306		(38,033)
Inventory		(47,242)		-
Accounts payables and accrued liabilities		206,205		286,920
Deferred revenue		-		(339,165)
Cash used in operating activities	$	(5,235)	$	(625,347)
Cashflow used in investing activities:				
Purchase of property and equipment		-		(32,565)
Cash used in investing activities	$	-	$	(32,565)
Cashflow provided by (used in) financing activities:				
Lease payments		(22,732)		-
Proceeds from loans advanced		-		40,000
Issuance of common shares		-		25,000
Repayment of loan payable, related party loan, and bridge loan		-		(27,466)
Proceeds from conventible debentures issued		-		300,000
Cash used in financing activities	$	(22,732)	$	337,534
Effect of foreign exchange		-		(37,175)
Net decrease in cash	**$**	**(27,967)**	**$**	**(357,553)**
Cash and cash equivalent, beginning of the year	$	35,626	$	661,121
Cash and cash equivalent, end of the year	**$**	**7,659**	**$**	**303,568**
Cash and cash equivalent consists of				
Cash	$	5,659	$	303,568
Guaranteed Investment Certificate (GIC)	$	2,000	$	-

The accompanying notes are an integral part of these condensed interim consolidated financial 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 106 – 131 Water Street, Vancouver, BC V6B 4M3.

The Company is classified as a technology company focused on two-wheel electric vehicle transportation. The Company deploys connected end-to-end Telematics-based solutions for inner-city transportation vehicles. The Company also provides direct to consumer sales of its Scoot-E-Bike® branded electric scooters. The Company is listed on the TSX-V, trading under the symbol is LOOP, and in the United States on the OTCQB, trading under the symbol LPPPF.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34") and should be read in conjunction with the Company's annual consolidation financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 30, 2021.

Basis of Measurement

These condensed interim 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns. These condensed interim 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 June 30, 2021
Loop Japan KK	Japan	Japanese Yen	100%
1022313 B.C. Ltd.	Canada	Canadian $	100%
LOOPShare USA Corp.	Nevada, U.S.A.	US $	100%
Scoot-E- Bike Inc.	Canada	Canadian $	100%

2. BASIS OF PREPARATION (continued)

Going Concern

These condensed interim 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 condensed interim 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 June 30, 2021 the Company had a net working capital deficiency of $1,341,500 and a deficit of $21,383,829. The Company generated $208,907 in revenues for the six months ended June 30, 2021 (2020 - $616,338). 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies disclosed in the notes to the annual consolidated financial statements of the Company for the year ended December 31, 2020 have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's condensed interim 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 condensed interim 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.

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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(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. See 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) Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. As at June 30, 2021, the Company had not recognized any internally-generated intangible assets.

(Expressed in Canadian Dollars)

5. ACCOUNTS RECEIVABLE

		June 30, 2021		December 31, 2020
Accounts receivable	$	1,058	$	25,719
Sales tax receivable		11,770		18,039
	$	**12,828**	**$**	**43,758**

6. PREPAID EXPENSES AND DEPOSITS

		June 30, 2021		December 31, 2020
Deposit for inventory	$	54,921	$	206,227
General expenses		1,066		1,066
	$	**55,987**	**$**	**207,293**

7. INVENTORY

		June 30, 2021		December 31, 2020
Inventory parts	$	1,731	$	-
Finished goods		-		27,622
Scooters		78,800		217,072
Consignment (Scoot-E-Bikes)		318,343		106,938
	$	**398,874**	**$**	**351,632**

During the fiscal year 2020, the Company reclassified all Scooters from Property and Equipment to Inventory. Units available for sale are carried at their net realizable value. Finished goods consists of scooters purchased from third parties to resell.

8. RIGHT OF USE ASSET

		Right-of-Use Asset
Cost		
As at December 31, 2019 and 2020, and June 30, 2021	**$**	**65,876**
Accumulated depreciation		
As at December 31, 2019		**(20,129)**
Additions		(21,959)
As at December 31, 2020	**$**	**(42,088)**
Additions		(14,640)
As at June 30, 2021	**$**	**(56,728)**
Net book value		
As at December 31, 2020	**$**	**23,788**
As at June 30, 2021	**$**	**9,148**

(Expressed in Canadian Dollars)

9. INTANGIBLE ASSET

On March 13, 2019, the Company completed an Asset Purchase Agreement with a third party, Raytroniks, to acquire the Scoot-E brand. The total consideration paid to Raytroniks was 1,824,000 class A common shares plus 91,200 finders shares with a combined fair value of $1,263,747. Management determined that the Scoot-E brand did not have inputs and processes capable of producing outputs that are necessary to meet the definition of a business as defined by IFRS 3. Accordingly, the acquisition was accounted for as an asset acquisition.

Following the initial recognition, the intangible asset was carried at the initial fair value less accumulated amortization and impairment losses, if any. Amortization of intangible asset with finite lives is based on the estimated useful life of the asset and was recognized on a straight-line basis. The Company determined that the estimated useful life of the intangible asset was to be 5 years. The Company assesses the intangible asset for impairment at each reporting date and whenever there is an indication that the asset may be impaired.

During the year ended December 31, 2020, the Company determined that $82,417 of remaining net book value of the intangible asset was impaired based on no estimated future economic benefits. (2019 – impairment of $860,855).

		Scoot E Brand
Cost		
Balance, June 30, 2021 and December 31, 2020	**$**	**1,263,747**
Accumulated Amortization		
Balance, December 31, 2019	$	(1,063,747)
Amortization		(117,583)
Impairment		(82,417)
Balance, December 31, 2020	**$**	**(1,263,747)**
Carrying Amounts		
Balance, June 30 2021 and December 31, 2020	**$**	**-**

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2021		December 31, 2020
Accounts payable	$	**827,233**	$	**828,072**
Accrued liabilities		**194,000**		**144,000**
Accrued compensation		**64,089**		**118,346**
	$	**1,085,322**	**$**	**1,090,418**

During the six months ended June 30, 2021, the Company entered into several debt settlement agreements with third-party vendors and employees for past services performed. The Company recognized gain on settlements of debt of $52,270 in the statement of loss and comprehensive loss related to the debt settled with employees and vendors. (2020 - $Nil).

(Expressed in Canadian Dollars)

11. DISPOSAL OF SUBSIDIARY

Saturna Green Systems Inc.

On December 9, 2020, the Company and Saturna Green Systems Inc. ("Saturna") reached a debt settlement to settle shareholder loans advanced from the Company to Saturna by transferring certain assets, including cash and cash equivalent and inventory, less certain account payables balances to the Company. Upon debt settlement, the Company recognized a non-interest bearing loan payable of $228,122 (Note 12).

Subsequent to the debt settlement, on December 10, 2020, the Company reached settlement agreement with the former President and Chief Executive Officer of the Company to transfer the 100% ownership interest of Saturna to him for a nominal amount of $10 (Note 12). The Company recognized loss on disposal of subsidiary of $133,067 in the statements of loss and comprehensive loss during the year ended December 31, 2020. As at December 31, 2020, the Company no longer has any ownership interest in Saturna.

12. RELATED PARTY TRANSACTIONS

Key Management Compensation

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company. These amounts are unsecured, are non-interest bearing and have no fixed terms of repayment.

	For the Six Months Ended June 30,			
		2021		**2020**
Salary & management fees	$	-	$	39,000
Consulting		86,200		43,200
Rent to a company controlled by a director		-		8,000
Share-based compensation expensed		23,118		305,615
Gain on settlement of debt		-		75,000
	$	**109,318**	**$**	**470,815**

The following amounts are payable and due to/from related parties:

		June 30, 2021		**December 31, 2020**
Companies controlled by directors and officers	$	23,522	$	24,491
Due to directors and officers		87,010		24,990
	$	**110,532**	**$**	**49,481**

On December 10, 2020, the Company reached settlement of a litigation with the former President and Chief Executive Office of the Company. The terms of the settlement were as follows:

- The Company shall make a cash payment of $50,000 and issue 60,000 class A common shares at a fair value of $45,000;
- The Company shall transfer the ownership interest of Saturna Green Systems Inc., to a nominee of the former President and Chief Executive Officer, including the assignment of the Zone Operator Agreement with Loop s.a.l.; and
- The former President and Chief Executive Office to be appointed as a sales agent with respect to the Company's remaining fleet of Scooters.

As a result of the settlement, as at December 31, 2020, the Company had $nil amount owed to the former President and Chief Executive Office of the Company.

(Expressed in Canadian Dollars)

13. LOANS PAYABLE

		June 30, 2021		December 31, 2020
Current				
Accrued interest		46,544		16,544
Loan payable		228,121		228,121
	$	**274,665**	**$**	**244,665**
Non-Current				
CEBA Loan		19,602		17,756
Total	**$**	**294,267**	**$**	**262,421**

On December 9, 2020, the Company and Saturna Green Systems Inc. ("Saturna") reached a debt settlement to settle shareholder loans advanced from the Company to Saturna by transferring certain assets, including cash and cash equivalent and inventory, less certain account payables balances to the Company. Upon debt settlement, the Company recognized a non-interest-bearing loan payable of $228,121.

CEBA Loan

On May 5, 2020, the Company received an interest-free Canada Emergency Business Account ("CEBA") loan in the amount of $40,000 to help cover the Company's operating expenses, payroll and other non-deferrable expenses which are critical to sustain business continuity. The program has been implemented by Bank of Montreal in collaboration with the Government of Canada as part of the COVID-19 relief initiatives.

During the period from receipt of the CEBA loan to December 31, 2022 (the "Initial Term"), no interest is charged on the amount outstanding. If at the end of the Initial Term the loan is not repaid, the Company has the right to exercise the option to convert the CEBA loan into a three-year term loan bearing interest at 5% per annum. The Company does not anticipate to repay any amount prior to the end of the Initial Term.

The loan is carried at amortized cost based on an 20% market interest rate causing the underlying value to be lower than the original principal value with a difference of $24,358 at inception which was recognized as a government grant income in other income during the year ended December 31, 2020.

During the six months ended June 30 2021, interest accretion was $1,846 (2020 - $nil). As of June 30, 2021, the carrying balance of the loan is $19,602 (December 31, 2020 - $17,756).

(Expressed in Canadian Dollars)

14. LEASES

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 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 statements of financial position as follow:

		June 30, 2021	December 31, 2020
Right-of-use asset	$	9,148	23,788
Lease liability			
Short term	$	15,601	24,931
Long term	$	-	2,213

During the six months ended June 30, 2021, depreciation expense of $14,640 was recognized on the right-of-use asset (2020 - $69,176) and lease liability payments of $12,083 and finance cost of $1,256 were recognized (2020 - $10,451 and $2,515).

15. CONVERTIBLE DEBENTURES

Balance, as at December 31, 2019	$	-
Convertible debenture issued		478,333
Accretion and interest accrued		86,780
Balance as at December 31, 2020	**$**	**565,113**
Accretion and interest accrued		50,747
Gain on modification of debt		(14,376)
Balance as at June 30, 2021	**$**	**601,484**
Current	$	331,268
Long-term	$	270,216

There were no convertible debentures issued during the six months ended June 30, 2021.

During the fiscal year ended December 31, 2020, the following convertible debentures were issued:

(a) On January 22, 2020, the Company restructured an existing bridge loan whereby $257,595 of the loan outstanding was converted into a convertible debenture. The debenture have a maturity date of 3 years bearing an interest at a rate of 10% per annum. The principal amount of the debenture is convertible into class A common shares at a conversion price of $0.385.

For accounting purposes, the debenture contains both a liability and equity component, being the lender's conversion option to shares, which have been separately presented on the consolidated statement of financial position. The Company established the fair value of the liability component at the date of issue at $268,680 and the fair value of the equity component of $134,337. The Company recognized a loss on debt settlement of $348,755 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 20.0% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders.

15. CONVERTIBLE DEBENTURES (continued)

(b) On March 18, 2020, the Company entered into an inventory financing agreement in the form of newly issued convertible debenture with a principal amount of $300,000. The debenture has a maturity date of March 18, 2021, bearing an interest at the rate of 10% per annum, which interest will be payable on the maturity date, unless earlier converted. The principal and the interest of the debenture is convertible into class A common shares of the Company at the option of the holder at a conversion price of $0.245 per share.

For accounting purposes, the debentures contain both a liability and equity component, being the lender's conversion option to shares. The Company allocated the original $300,000 principal of the debenture to the individual liability component and equity components by establishing the fair value of the liability component at the date of issue at $275,000 and then allocated the remaining balance of the net proceeds of $25,000 to the equity component. 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 20.0% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders.

During the six months ended June 30, 2021, the convertible debenture's maturity was extended for six months to November 18, 2021. On the date of medication, the Company recorded a present value of $315,624 and recorded a gain on medication of debt of $14,376.

On the modification date, the Company calculated the present value of the debt to be $315,624 and recorded a gain on modification of $14,376.

As at June 30, 2021, the carrying value of the convertible debentures, including interest was $601,484 (December 31, 2020 - $565,113). During the six months ended June 30, 2021, accretion expense totalled $23,625 and the interest expense totalled $27,122 (2020 - $16,422 and $19,128) and are included in the finance costs in the 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 June 30, 2021 there were 3,209,468 (December 31, 2020 – 3,044,479) issued and fully paid class A common shares.

(c) Share Issuances

The following class A common shares were issued during the six months ended June 30, 2021:

- On January 25, 2021 and February 3, 2021, The Company reached debt settlement agreement with former employees of the Company to settle debt of $113,000 by issuing 165,000 class A common shares at a fair value of $143,500. As a result, the Company recorded a loss of settlement of debt of $30,500.

The following class A common shares were issued during the year ended December 31, 2020:

- On January 29, 2020, 5,000 warrants were exercised at an exercise price of $5.00 resulting in the issuance of 5,000 class A common shares.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

- On December 18, 2020, The Company settled the litigation with the founder, former President and CEO by issuing 60,000 class A common shares at a fair value of $45,000. (Note 12).

(d) Escrow shares

During the six months ended June 30, 2021, 70,519 class A common shares were released from escrow and Nil class A common shares were deposited. The resulting balance of shares held in escrow as at June 30, 2021 is 166,605.

During the year ended December 31, 2020, 160,510 class A common shares were released from escrow and Nil class A common shares were deposited.

(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 six months ended June 30, 2021 and the year ended December 31, 2020 is as follows:

	Options	Weighted Average Exercise Price	
Balance, December 31, 2019	88,000	$	7.260
Granted	164,500		4.180
Cancelled	(16,375)		9.000
Forfeited	(5,625)		6.280
Balance, December 31, 2020	230,500	$	4.830
Forfeited	(35,500)		4.580
Balance, June 30, 2021	195,000		4.540

During the six months ended June 30, 2021, the fair value of the options has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free rate of 1.8% with an expected life of 5 years, expected volatility of 135% and no expected dividend.

The Company had the following activities during the six months ended June 30, 2021:

- In March 2021, the Company cancelled a total of 27,500 options previously issued to employees of the Company.
- In April 2021, the Company cancelled a total of 8,000 options previously issued to employees of the Company.

The Company had the following activities during the year ended December 31, 2020:

- On January 3, 2020, the Company issued 164,500 incentive stock options, with a life of approximately 5 years, exercisable at price at $4.00 per share, 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 granted expire on January 3, 2025.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

- On December 10, 2020, the Company cancelled a total of 5,000 options previously issued to the former President and CEO of the Company.

- On December 31, 2020, the Company cancelled a total of 17,000 options previously issued to consultants, former employees and board member of the Company.

Details of options outstanding and exercisable at June 30, 2021 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Exercise Price	Remaining Life (Years)
1,950	1,950	$20.00	July 6, 2021	$20.00	0.02
13,050	13,050	$5.00	November 23, 2023	$5.00	2.40
500	350	$11.00	March 15, 2024	$11.00	2.71
29,000	11,600	$6.00	July 18, 2024	$6.00	3.05
150,500	75,250	$4.00	January 3, 2025	$4.00	3.52
195,000	102,200			$4.54	

For the six months ended June 30, 2021, the Company recorded stock-based compensation of $36,009 (2020 –$418,317) in stock-based compensation in respect of incentive stock options.

(f) Warrants

The continuity of the warrants for the six months ended June 30, 2021 and the year ended December 31, 2020 is as follows:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	665,825	4.880
Granted (1)	33,454	3.850
Granted (2)	60,000	2.450
Exercised	(5,000)	5.000
Expired	(46,358)	3.270
Balance, December 31, 2020	707,921	4.730
Expired	(60,000)	2.450
Balance, June 30, 2021	647,921	4.940

(1) On January 22, 2020, in connection with the issuance of convertible debentures (Note 15) 33,454 warrants valued using Black-Scholes Option Pricing Model at $134,337 were issued, each warrant entitling the holder to acquire one class A Common Share at a price of $3.85 for six years. The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free rate of 1.52% an expected life of 3 years, an expected volatility of 160%, and no expected dividends.

(2) On March 18, 2020, in connection with the issuance of convertible debentures 60,000 warrants, the fair value was determined to be nominal.

(Expressed in Canadian Dollars)

17. REVENUE

Revenue for the six months ended June 30, 2021, $208,907 which were derived from the sale of Scoot-E-Bikes and electric scooters. (2020 - $616,338).

Revenue for the six months ended June 30, 2021 and 2020 were 100% from North America.

18. EXPENSES BY NATURE

For the six months ended June 30, 2021:

	General and Administration	Research and Development	Sales and Marketing
Office expense	$ 35,854	$ -	$ -
Accounting and legal	152,327	-	-
Consulting	93,999	-	31,400
Personnel	-	-	187,033
Total	$ 282,180	$ -	$ 218,433

For the six months ended June 30, 2020:

	General and Administration	Research and Development	Sales and Marketing
Office expense	$ 298,193	$ -	$ 5,339
Accounting and legal	72,505	-	-
Consulting	229,187	-	83,086
Personnel	22,311	52,067	14,257
Total	$ 622,196	$ 52,067	$ 102,682

19. 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:

(a) 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at June 30, 2021, the Company had a cash balance of $7,659 (December 31, 2020 - $35,626) to settle current liabilities of $1,816,848 (December 31, 2020 - $1,727,451).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises six types of risk: interest rate risk, foreign currency risk and other price risk.

(i) 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 is not subject to interest rate risk. The loan payable and convertible debentures are not subject to interest rate risk as they are a fixed rate. The Company is not exposed to other 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.

(ii) Foreign exchange risk

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

As at June 30, 2021 and December 31, 2020, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies.

	June 30, 2021		**December 31, 2020**	
	US Dollar	Japanese Yen	US Dollar	Japanese Yen
Cash	59	58,968	2,759	58,968
Accounts receivable	-	-	-	-
Accounts payable	268,515	14,720,800	169,656	14,720,800
Total	268,574	14,779,768	172,415	14,779,768

(d) Fair Value of Financial Instruments

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising six 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 carrying values of cash and cash equivalent, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair value given their short-term nature. The loan payable and convertible debentures are recorded at amortized cost. As at June 30, 2021 and December 31, 2020, the Company's has no Level 3 instrument.

20. SUBSEQUENT EVENTS

On July 6, 2021, the Company entered into a share exchange agreement with VGAN Brands Inc. pursuant to which the Company will acquire all of the issued and outstanding shares of VGAN Brands Inc. and change its business to become a foods products company. The Company intends to apply to list its common shares on the Canadian Securities Exchange and delist from the TSX-V upon completion of the share exchange transaction.