



Unaudited Interim Condensed Consolidated
Financial Statements of

LOOP ENERGY INC.

(Expressed in thousands of Canadian dollars)

As at June 30, 2022 and for the three and six
months ended June, 2022 and 2021

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	As at June 30, 2022 \$	As at December 31, 2021 \$
ASSETS		
Current assets:		
Cash and cash equivalents	43,325	67,030
Accounts receivable (note 3)	2,914	2,066
Tax credit receivable (note 15)	1,329	1,416
Inventory (note 4)	1,591	1,280
Prepaid expenses and advances	7,748	6,564
Total current assets	56,907	78,356
Non-current assets		
Accounts receivable (note 3)	345	477
Property, plant and equipment (note 5)	10,301	5,260
Total non-current assets	10,646	5,737
Total assets	67,553	84,093
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	2,416	2,846
Current portion of lease liabilities (note 7)	708	715
Current portion of long-term debt (note 8)	175	175
Deferred revenue and recoveries (note 9)	2,453	2,479
Warranty provision (note 11)	310	112
Total current liabilities	6,062	6,327
Non-current liabilities		
Lease liabilities (note 7)	2,190	1,350
Long-term debt (note 8)	170	219
Deferred revenue and recoveries (note 9)	757	849
Warranty provision (note 11)	185	193
Total non-current liabilities	3,302	2,611
Total liabilities	9,364	8,938
Shareholders' equity:		
Common shares (note 12)	126,517	126,310
Share-based payment reserve	7,511	6,556
Deficit	(75,767)	(57,797)
Foreign currency reserve	(72)	86
Total shareholders' equity	58,189	75,155
Total liabilities and equity	67,553	84,093

Commitments (note 5)

Subsequent events (note 20)

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

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian dollars, except per share amounts and share data)

	Three months ended June 30		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Revenues (note 14)	1,065	1,090	1,243	1,090
Cost of sales (note 4)				
Cost of goods sold	3,685	3,041	4,478	3,041
Change in allowance for inventory write-down	(159)	(931)	1,047	(98)
Gross margin	(2,461)	(1,020)	(4,282)	(1,853)
Expenses:				
General and administrative	2,633	1,977	5,031	5,464
Engineering	3,168	2,238	5,761	4,000
Business development	1,643	616	2,395	1,000
Technology development	215	214	642	348
	7,659	5,045	13,829	10,812
Cost (recoveries) expenses:				
Research and development tax credits (note 15)	87	-	87	(209)
Sustainable Development Technology Canada (note 9)	(34)	(34)	(66)	(1,663)
Other grants	-	(5)	(11)	(5)
	53	(39)	10	(1,877)
Operating expenses	7,712	5,006	13,839	8,935
Loss before the undernoted	(10,173)	(6,026)	(18,121)	(10,788)
Other income (expenses):				
Foreign currency exchange (loss) income	159	(62)	36	(7)
Interest income	154	35	240	52
Equity-accounted loss	-	(45)	-	(86)
Finance expense (note 10)	(63)	(54)	(125)	(195)
	250	(126)	151	(236)
Net loss	(9,923)	(6,152)	(17,970)	(11,024)
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(141)	-	(158)	-
Total comprehensive loss	(10,064)	(6,152)	(18,128)	(11,024)
Loss per common share - basic and diluted	(0.29)	(0.18)	(0.53)	(0.38)
Weighted average number of common shares outstanding	33,708,307	33,583,549	33,686,424	28,755,816

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

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars, except share data)

	Common shares #	Common shares \$	Preferred shares #	Preferred shares \$	Share-based payment reserve \$	Deficit \$	Foreign currency reserve \$	Total shareholders' equity \$
Balance December 31, 2020	17,983,506	15,675	6,944,445	14,990	2,770	(32,777)	-	658
Conversion of preferred share to common shares	6,944,445	14,990	(6,944,445)	(14,990)	-	-	-	-
Conversion of convertible debentures	2,399,999	3,685	-	-	(88)	-	-	3,597
Issuance of preferred shares, net of costs	6,250,000	92,322	-	-	-	-	-	92,322
Warrants (note 12)	-	-	-	-	1,662	-	-	1,662
Exercise of stock options (note 13)	6,250	5	-	-	(5)	-	-	-
Share-based payments (note 13)	-	-	-	-	1,332	-	-	1,332
Net Loss	-	-	-	-	-	(11,024)	-	(11,024)
Other	11	-	-	-	-	-	-	-
Balance, June 30, 2021	33,584,211	126,677	-	-	5,671	(43,801)	-	88,547
Balance December 31, 2021	33,649,314	126,310	-	-	6,556	(57,797)	86	75,155
Exercise of stock options (note 13)	428,334	207	-	-	(81)	-	-	126
Share-based payments (note 13)	-	-	-	-	1,036	-	-	1,036
Net loss	-	-	-	-	-	(17,970)	-	(17,970)
Other comprehensive income (loss):								
Foreign currency translation	-	-	-	-	-	-	(158)	(158)
Balance, June 30, 2022	34,077,648	126,517	-	-	7,511	(75,767)	(72)	58,189

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

LOOP ENERGY INC.

Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Operating activities				
Net loss	(9,923)	(6,152)	(17,970)	(11,024)
Items not affecting cash:				
Depreciation (note 5)	372	233	703	445
Finance expense (note 10)	63	54	125	195
Equity-accounted loss	-	45	-	86
Inventory write-down (note 4)	1,509	636	2,885	1,469
Share-based payments (note 13)	581	653	1,036	1,332
Special advisor warrants	-	-	-	1,662
Other	(2)	(16)	(21)	(15)
Changes in non-cash working capital and other items, net (note 18)	(3,254)	(76)	(5,251)	(3,474)
Net operating cash flow	(10,654)	(4,623)	(18,493)	(9,324)
Investing activities				
Purchase of property, plant and equipment (note 5)	(1,549)	(881)	(4,823)	(1,063)
Proceeds from disposition of assets	8	-	8	-
Net investing cash flow	(1,541)	(881)	(4,815)	(1,063)
Financing activities				
Net proceeds from share issuance (note 12)	-	(1,043)	-	92,322
Net proceeds from exercise of stock options (note 13)	71	-	91	-
Repayment of long-term debt (note 8)	(38)	(388)	(76)	(426)
Interest paid	-	-	-	(82)
Lease payments (note 7)	(132)	(130)	(301)	(207)
Net financing cash flow	(99)	(1,561)	(286)	91,607
Cash and cash equivalents				
Change during the period	(12,294)	(7,065)	(23,594)	81,220
Impact of foreign exchange on cash and cash equivalents	(111)	18	(111)	18
Cash and cash equivalents, beginning of the period	55,730	91,486	67,030	3,201
Cash and cash equivalents, end of period	43,325	84,439	43,325	84,439

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

LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(Expressed in thousands of Canadian dollars, except per share amounts and share data)
As at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021

1. Nature of Business:

Loop Energy Inc. (the "Company") and its wholly-owned subsidiaries are primarily involved in the development of fuel cell technology. The Company was incorporated under the laws of British Columbia, Canada on June 21, 2000 and trades on the Toronto Stock Exchange under the symbol "LPEN".

The registered office of the Company is 2900 - 550 Burrard Street, Vancouver, BC, V6C 0A3. During 2021, the Company relocated its head office to 660 - 2700 Production Way, Burnaby, BC, V5A 4V7.

2. Basis of presentation:

Statement of compliance:

These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2021.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company on August 3, 2022.

Basis of measurement:

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

These interim condensed consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2022, the Company has working capital, defined as current assets less current liabilities, of \$50,845, which the Company expects will provide sufficient liquidity to execute its operating plans for at least the next twelve months.

Functional and presentation currency:

These interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The accounts of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, transactions, revenues and expenses are eliminated in full in these consolidated financial statements and unrealized gains or losses on transactions are eliminated upon consolidation.

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Subsidiaries:

The following provides information about the Company's wholly owned consolidated subsidiaries as at June 30, 2022:

Name of Subsidiary	State or Jurisdiction of Incorporation	Proportion of Ownership Interest
1123640 B.C. Ltd	Canada	100%
1299502 B.C. Ltd	Canada	100%
Loop Energy Technologies (Shanghai) Co. Ltd.	China	100%

Comparative information

The comparative information in the condensed consolidated statement of loss and comprehensive loss for the three and six month periods ended June 30, 2022 include the reclassification of \$636 and \$1,469, respectively, in inventory write-downs from engineering expense to cost of sales to reflect the presentation adopted at December 31, 2021.

Estimation uncertainty

Except as described below, the significant estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Company's consolidated financial statements as at and for the year ended December 31, 2021. Actual results may differ from these estimates.

Significant accounting policies:

There are no new standards or interpretations, not yet adopted, that are expected to have a material impact on the Company's financial statements.

The Company operates in one segment and as at June 30, 2022 \$8,241 of the Company's non-current assets are located in Canada and \$2,405 are located in China.

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements as at and for the year ended December 31, 2021.

3. Accounts receivable:

	June 30, 2022	December 31, 2021
	\$	\$
Customer receivables	1,117	779
GST receivable and other	1,325	565
Receivables from equity-accounted investment	127	484
Government grant receivable (note 9)	690	715
Accounts receivable	3,259	2,543
Current portion	2,914	2,066
Non-current portion	345	477
	3,259	2,543

Receivables from equity-accounted investment and customer receivables are recorded net of an allowance for an expected credit loss of \$229 (December 31, 2021 - \$114).

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Notes to Unaudited Interim Condensed Consolidated Financial Statements

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As at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021

4. Inventory:

	June 30, 2022 \$	December 31, 2021 \$
Raw materials	967	578
Work in progress	154	-
Finished goods	470	702
Inventory	1,591	1,280

As at June 30, 2022, inventory is presented net of an allowance for write-downs of \$2,847 (December 31, 2021 - \$1,800). During the three and six months ended June 30, 2022, the Company recorded a total of \$1,509 and \$2,885, respectively, in write-downs of its inventory to its net realizable value (three and six months ended June 30, 2021 - \$638 and \$1,469, respectively).

Cost of sales for the three and six months ended June 30, 2022 is comprised of the cost of inventories recognized as an expense of \$3,127 and \$3,454, overheads of \$385 and \$817, warranty costs of \$173 and \$207, and the change in allowance for write-downs of inventory of (\$159) and \$1,047, respectively.

5. Property, plant and equipment:

	Equipment \$	Leasehold improvements \$	Computer hardware \$	Computer software \$	Right-of- use assets \$	Total \$
Cost						
Balance, December 31, 2021	3,580	1,492	298	293	2,449	8,112
Additions	4,108	569	178	18	1,140	6,013
Disposals	(11)	-	-	-	-	(11)
Effect of movements in foreign exchange rates	(31)	-	-	-	(32)	(63)
Balance, June 30, 2022	7,646	2,061	476	311	3,557	14,051
Accumulated depreciation						
Balance, December 31, 2021	1,055	891	137	121	648	2,852
Depreciation	311	214	71	34	275	905
Disposals	(4)	-	-	-	-	(4)
Effect of movements in foreign exchange rates	-	-	-	-	(3)	(3)
Balance, June 30, 2022	1,362	1,105	208	155	920	3,750
Carrying amounts						
December 31, 2021	2,525	601	161	172	1,801	5,260
June 30, 2022	6,284	956	268	156	2,637	10,301

As at June 30, 2022, the Company has contractual obligations to incur \$6.6 million of future capital expenditures.

Included in the cost of equipment is \$1.3 million of assets under construction that are not being depreciated as they are not yet available for use.

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The Company recognized depreciation expense for property, plant and equipment with allocations to the functional expense as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cost of sales	127	-	294	-
Engineering	132	187	187	348
General and administrative	82	-	163	-
Business development	13	-	25	-
Technology development	18	-	34	-
	372	187	703	348

At June 30, 2022, \$202 of depreciation expense was recorded in inventory.

6. Accounts payable and accrued liabilities:

	June 30, 2022	December 31, 2021
	\$	\$
Trade payables and accrued expenses	1,615	1,933
Trade and other payables due to related parties (note 16)	15	21
Payroll accruals	786	892
Accounts payable and accrued liabilities	2,416	2,846

7. Lease liabilities:

As at June 30, 2022, the Company leases three premises for the Company's office and manufacturing space. The lease liabilities have been calculated using discount rates ranging from 8.0% - 10.55% per annum and the leases expire between June 2023 and July 2028

The following table presents the changes in the balance of the Company's lease related items for which the Company was a lessee for six months ended June 30, 2022 and the year ended December 31, 2021:

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of year	2,065	450
Additions	1,140	1,894
Effect of movements in foreign exchange rates	(35)	41
Finance expense (note 10)	99	152
Lease payments	(371)	(472)
Balance, end of period	2,898	2,065
Current portion	708	715
Non-current portion	2,190	1,350
Balance, end of period	2,898	2,065

As at June 30, 2022, the undiscounted contractual obligations of the Company's lease liabilities were as follows: Remainder of 2022: \$370; 2023: \$776; 2024: \$737; 2025: \$504; 2026: \$513; 2027: \$522; and \$395 thereafter.

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8. Long-term debt:

	June 30, 2022 \$	December 31, 2021 \$
Unsecured loan, maturing March 1, 2024, bearing no interest (a)	322	371
Unsecured promissory notes, with no maturity date, bearing no interest	23	23
Total long-term debt	345	394
Less current portion of long-term debt	175	175
Long-term portion	170	219

- (a) During the six months ended June 30, 2022, the Company repaid \$76 relating to this long-term debt facility and recorded non-cash finance expenses of \$26 (six months ended June 2021 - \$34) (note 10) related to accretion of an associated discount on the loan.

As at June 30, 2022 the contractual maturities of the Company's long-term debt were as follows: 2022: \$99; 2023: \$152; and 2024: \$152.

On March 31, 2022 the Company entered into an agreement with Pacific Economic Development Canada for funding of up to \$9.75 million to assist with project costs associated with increases in the Company's manufacturing capacity. Under the terms of the agreement the funding is repayable over 60 consecutive months commencing on April 1, 2025 and is non-interest bearing. The funds are to be received as certain milestones are accomplished over a period up to March 31, 2024. While no amounts have been advanced under the agreement as at June 30, 2022 the Company expects to request and receive funds in Q322.

9. Deferred revenue and recoveries:

	June 30, 2022 \$	December 31, 2021 \$
SDTC	2,300	2,366
Contracts with customers	220	247
Shanghai Industrial Zone Economic Development	690	715
Balance, end of period	3,210	3,328
Current portion	2,453	2,479
Non-current portion	757	849
Balance, end of period	3,210	3,328

During 2017, the Company signed an agreement with Sustainable Development Technology Canada ("SDTC") to receive funding of \$7,500 related to the development of the Company's technology and the Company received a first milestone payment of \$1,204 in 2017. A follow-on payment of \$667 related to purchases of equipment, which is amortized over a five-year period commensurate with the average depreciable life of the equipment, was received in 2018 and a second milestone payment of \$1,372 was received in 2019. During 2020, SDTC increased the funding commitment to \$7,875 and provided an additional payment of \$375 with \$66 recognized in relation to the first milestone. During 2021, SDTC increased the total funding commitment to \$8,269 and provided an additional \$394, with \$224 being recognized as a cost recovery during 2021, relating to the completed first and second milestones, and the Company received a third milestone prepayment of \$1,621, which was recorded as a deferred cost recovery.

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The following table presents the changes in the balance of the Company's SDTC deferred recoveries for the six months ended June 30, 2022 and the year ended December 31, 2021:

SDTC	June 30, 2022 \$	December 31, 2021 \$
Balance, beginning of year	2,366	2,081
Receipt of prepayment for third milestone	-	1,621
Receipt of additional funding payment	-	394
Completion of second milestone	-	(1,372)
Amortization of equipment cost recovery	(66)	(134)
Recognition of additional funding for first and second milestone	-	(224)
Balance, end of period	2,300	2,366

During 2021, the Company, through its subsidiary Loop Energy Technologies (Shanghai) Co. Ltd, entered into a lease agreement for an additional premise through December 31, 2027 (which includes the expected exercise of a three-year extension option by the Company). As part of the agreement, Shanghai Jiading Industrial Zone Economic Development Co., Ltd., a government entity, will reimburse the Company for the lease cost through December 31, 2024. At the inception of the lease, the total value of the government grant was \$684, which the Company has recognized as a deferred recovery, and the future amounts receivable under the lease agreement are recorded in accounts receivable (note 3). The Company has obligations associated with the government grant such that the Company must reach a certain threshold of tax payments by December 31, 2024. If the Company is unable to meet this threshold, the Company is required to proportionately repay the government grant relative to the shortfall of the tax payments.

10. Finance expense:

	Three months ended June 30,		Six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Interest and accretion of convertible debt	-	-	-	102
Accretion of long-term debt (note 8)	12	16	26	34
Finance expense - lease liabilities (note 7)	51	38	99	59
Total	63	54	125	195

11. Warranty provision:

	June 30, 2022 \$	December 31, 2021 \$
Balance, beginning of period	305	-
Provisions made during the period, net	190	305
Balance, end of period	495	305
Current portion	310	112
Non-current portion	185	193
Long-term portion	495	305

The provisions for product warranty reflect the estimated costs of replacement and associated services costs that will be incurred by the Company with respect to the products sold.

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For the six-months ended June 30, 2022 the Company recorded warranty provisions of \$190, net of claims, and incurred \$17 in related expenses (June 30, 2021 \$248 and nil respectively).

12. Share capital:

The Company has unlimited authorized common shares without par value.

Initial Public Offering

On February 25, 2021, the Company closed its Initial Public Offering (the "Offering") of 6,250,000 common shares at a price of \$16.00 per share for aggregate gross proceeds of \$100,000. In connection with the Offering, the Company paid a cash commission of \$6,000 and incurred additional share issuance costs of \$2,199.

Warrants:

The Company has issued warrants that allow the holder to acquire additional common shares of the Company. Warrant transactions are summarized as follows:

	Number of Warrants #	Weighted Average Exercise Price \$
Balance, December 31, 2021	381,167	13.46
Expired	314,500	16.00
Balance, June 30, 2022	66,667	1.50

In February 2021, the Company issued warrants to purchase 314,500 common shares exercisable at a price of \$16.00 per common share for a period of one year. The associated fair value of \$1,662 was recorded as general and administrative expenses at the date of issuance. The valuation of the warrants was calculated using the Black-Scholes method of valuation using the following assumptions:

Risk-free interest rate	0.32%
Expected life of options	1 year
Expected annualized volatility	85%
Dividend	0%

In February 2022, these 314,500 warrants expired unexercised.

As at June 30, 2022, warrants outstanding enabling holders to acquire common shares are as follows:

Number of Warrants Outstanding #	Exercise Price \$	Expiry Date
66,667	1.50	January 10, 2024

13. Share-based payments:

The Company has a long-term incentive plan (the "Plan") to provide incentives to its officers, directors, employees and certain non-employees. Under the Plan, the Company has reserved up to 10% of the issued and outstanding common shares of the Company to be issued. The Plan allows for the grant of stock options, deferred share units,

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restricted share units ("RSUs"), performance share units and other share-based awards. As at June 30, 2022, the Company had only granted stock options and RSUs under the Plan.

The exercise price of each option is determined by the volume weighted average trading closing price of the Company's common shares on the TSX for the five trading days immediately preceding the date of grant and is set by the Board of Directors of the Company. The stock options have a maximum term of ten years and vesting periods as determined by the Board of Directors.

The fair value of each RSU grant is measured at the fair-value price at date of grant and generally vest annually in equal amounts over three years from the grant date, or as determined by the Board of Directors of the Company. Each RSU is equal in value to one of the Company's common shares. RSUs do not require the payment of any monetary consideration to the Company. Instead, they represent the right to receive common shares, or a payment representing common shares, following the attainment of vesting criteria determined at date of grant, notably a requirement that an individual remains eligible for awards for a specified period of time. The option to settle the RSUs in common shares or cash is at the Company's election, and the Company intends to settle the RSUs with common shares issued from treasury.

Stock options:

The following table presents the changes in the balance of the outstanding stock options under the Company's stock option plan:

	Number of Stock Options #	Weighted Average Exercise Price \$
Balance, December 31, 2021	2,822,921	2.53
Forfeited	(33,854)	3.66
Exercised	(428,334)	0.96
Granted	-	-
Expired	(13,399)	16.00
Balance, June 30, 2022	2,347,334	2.72
Exercisable, June 30, 2022	2,025,233	1.66

The weighted average share price on the date of exercise for options exercised during the six months ended June 30, 2022 was \$2.48.

During the six months ended June 30, 2022, 323,334 stock options with an exercise price of \$0.99 were exercised by a former employee and shareholder via a short-term loan payable by September 30, 2022 and secured by 290,000 common shares which were issued and are being held by the Company. For accounting purposes, the 290,000 common shares held by the Company are being treated as treasury shares until the loan is paid by September 30, 2022 and will be accounted for as an exercise of the option upon payment of the loan.

During the six months ended June 30, 2022, the Company granted a total of nil stock options (six months ended June 30, 2021 - 303,965) with a weighted average fair value of \$nil per option (June 30, 2021 - \$11.08). The share-based compensation expense for the Company's stock options granted during the six months ended June 30, 2021 was calculated using the Black-Scholes method of valuation using the following assumptions:

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	2021
Risk-free interest rate	1.25%
Expected life of options	7.9 years
Expected annualized volatility	74%
Dividend	0%
Forfeiture rate	0%

Expected annualized volatility was determined through the comparison of historical share price volatilities used by similar publicly listed companies in similar industries.

RSUs:

The following table presents the changes in the balance of the outstanding RSUs:

	Number of RSUs #
Balance, December 31, 2021	197,238
Forfeited	(171,865)
Vested	-
Granted	649,547
Balance, June 30, 2022	674,920

During the three and six months ended June 30, 2022, the Company granted restricted share unit compensation awards to certain officers, directors and employees, with respect to 649,574 RSUs, with an aggregate grant date fair value of \$1,945 based on the Company's volume weighted average closing price of the Company's common shares for the five trading days immediately preceding the date of the grants. Each RSU is equal in value to one of the Company's common shares. Each award represents the specified number of the Company's common shares plus reinvested distributions from the grant date to the vesting date. The awards vest annually in equal amounts over three years from the grant date. Upon vesting, the awards are paid to each grantee in the form of common shares or cash.

The Company recognized share-based payments expense for stock options and RSUs, with allocations to the functional expense as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Engineering	114	184	191	351
General and administrative	340	325	634	738
Business development	119	143	202	244
Technology development	8	-	9	-
	581	652	1,036	1,333

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As at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021

14. Revenues:

The Company's primary source of revenues is the sale of its fuel cells to its customers. The Company's revenues during the six months ended June 30, 2022 all relate to goods transferred at a point in time and all of the Company's revenues relate to revenue from contracts with customers.

The following tables disaggregates revenues by the timing of revenues and the geographical region based on the location of the Company's customers:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Europe	800	95	877	95
Asia-Pacific (excluding China)	182	-	283	-
North America	83	-	83	-
China	-	995	-	995
	1,065	1,090	1,243	1,090

15. Scientific research and experimental development ("SR&ED") tax credits:

Prior to becoming a public company in February 2021 SR&ED tax credits were refundable to the Company and recorded as a tax credit receivable. During the six month period ended June 30, 2021 the Company recorded its estimated SR&ED tax credits claim for the period to February 25, 2021 and recorded a recovery of \$209. As at June 30, 2022 the Company has a SR&ED tax credit receivable of \$1,329 (December 31, 2021 - \$1,416) comprised of a receivable related to the year ended December 31, 2020 and for the period January 1, 2021 to February 25, 2021. During the three months ended June 30, 2022, the Company recorded a reduction to its previously estimated tax credit receivable for the year ended December 31, 2020 resulting in an expense for the period of \$87. To the extent the SR&ED claim is adjusted and accepted, it would impact the amount of the tax credit receivable, tax losses and undeducted SR&ED costs carried forward.

16. Related party transactions:

Key management personnel compensation:

The key management of the Company includes the members of the Board of Directors and certain of the officers of the Company and their total compensation expenses were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	400	352	931	728
Share-based payments	341	391	608	922
Director fees	38	31	76	62
	779	774	1,615	1,712

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Other related party transactions

During the first half of 2021, \$850 of convertible debentures, held by entities for which the principals were directors of the Company, were converted to 566,334 common shares of the Company. During the six months ended June 30, 2021, the Company recorded interest expense of \$21, in finance expense in the Company's interim condensed consolidated statements of loss and comprehensive loss related to the convertible debentures held by these entities.

As at June 30, 2022, the Company had \$127 in accounts receivable (December 31, 2021 - \$484) and \$nil in accounts payable and accrued liabilities (December 31, 2021 - \$21), from transactions with a joint venture. As at June 30, 2022, the Company had \$15 in amounts payable to a director of the Company. The transactions were carried out in the normal course of operations and have been measured at their exchange value, being the amount agreed between the parties.

17. Employee remuneration:

Employee benefit expense are classified in the interim condensed consolidated statements of loss and comprehensive loss as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cost of Sales	225	-	474	-
Engineering	1,732	1,375	3,217	2,395
General and administrative	1,262	799	2,419	1,477
Business development	1,043	252	1,433	418
Technology development	20	138	206	220
Total	4,282	2,564	7,749	4,510

18. Supplemental cash flow information:

The changes in non-cash working capital and other items related to operating activities for the six-month periods ended June 30, 2022 and 2021 are as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Accounts receivable	(313)	(790)	(683)	(813)
Tax credit receivable	87	-	87	(209)
Inventory	(1,333)	46	(2,993)	(1,107)
Prepaid expenses and advances	(1,173)	676	(1,184)	(1,489)
Deferred financing fees	-	-	-	500
Accounts payable and accrued liabilities	(204)	(168)	(479)	(966)
Deferred revenues and recoveries	(486)	(88)	(189)	363
Warranty provision, net	168	248	190	247
Total	(3,254)	(76)	(5,251)	(3,474)

The purchase of property, plant and equipment included in the Company's statement of cash flows includes deposits and advances for property, plant and equipment and is adjusted for property, plant and equipment included in accounts payable and accrued liabilities.

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19. Financial instruments and risk:

Fair value

The carrying value of cash and cash equivalents, accounts receivable, advances and accounts payable and accrued liabilities as at June 30, 2022 approximates their fair value given their short-term nature or the discount rates used in assessing the fair value. The carrying value of the long-term debt as at June 30, 2022 approximates fair value given the discount rates used to recognize the liabilities in the interim condensed consolidated statement of financial position and market rates of interest.

Fair value hierarchical levels

The Company does not have any financial instruments measured at fair value in the interim condensed consolidated statements of financial position and therefore there were no transfers between the levels of the fair value hierarchy during the three and six months ended June 30, 2022. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three and six months ended June 30, 2022.

Financial Risk Management and Capital Management

There have been no significant developments in the Company's financial risk factors and capital management as included in the Company's consolidated financial statements as at and for the year ended December 31, 2021.

20. Subsequent Events:

In July 2022, the Company entered into a lease agreement to occupy an additional space in Burnaby, British Columbia of 8,710 square feet for a period of 6 years. The starting annual basic rent is \$172 and will be increased by 3% each year thereafter.