



Unaudited Interim Condensed Consolidated  
Financial Statements of

## **LOOP ENERGY INC.**

(Expressed in thousands of Canadian dollars)

As at March 31, 2022 and for the three months  
ended March 31, 2022 and 2021

# LOOP ENERGY INC.

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

	<b>As at March 31, 2022 \$</b>	<b>As at December 31, 2021 \$</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	55,730	67,030
Accounts receivable (note 3)	2,533	2,066
Tax credit receivable (note 15)	1,416	1,416
Inventory (note 4)	1,637	1,280
Prepaid expenses and advances	6,575	6,564
<b>Total current assets</b>	<b>67,891</b>	<b>78,356</b>
Non-current assets		
Accounts receivable (note 3)	412	477
Property, plant and equipment (note 5)	8,589	5,260
<b>Total non-current assets</b>	<b>9,001</b>	<b>5,737</b>
<b>Total assets</b>	<b>76,892</b>	<b>84,093</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	3,037	2,846
Current portion of lease liabilities (note 7)	713	715
Current portion of long-term debt (note 8)	175	175
Deferred revenue and recoveries (note 9)	2,836	2,479
Warranty provision (note 11)	138	112
<b>Total current liabilities</b>	<b>6,899</b>	<b>6,327</b>
Non-current liabilities		
Lease liabilities (note 7)	1,202	1,350
Long-term debt (note 8)	195	219
Deferred revenue and recoveries (note 9)	807	849
Warranty provision (note 11)	189	193
<b>Total non-current liabilities</b>	<b>2,393</b>	<b>2,611</b>
<b>Total liabilities</b>	<b>9,292</b>	<b>8,938</b>
Shareholders' equity:		
Common shares (note 12)	126,402	126,310
Share-based payment reserve	6,973	6,556
Deficit	(65,844)	(57,797)
Foreign currency reserve	69	86
<b>Total shareholders' equity</b>	<b>67,600</b>	<b>75,155</b>
<b>Total liabilities and equity</b>	<b>76,892</b>	<b>84,093</b>
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 March 31,	
	2022 \$	2021 \$
Revenues (note 14)	178	-
Cost of sales (note 4)		
Cost of goods sold	793	-
Change in allowance for inventory write-down	1,206	833
Gross margin	(1,821)	(833)
Expenses:		
General and administrative	2,398	3,487
Engineering	2,593	1,762
Business development	752	384
Technology development	427	134
	6,170	5,767
Less cost recoveries:		
Research and development tax credits (note 15)	-	(209)
Sustainable Development Technology Canada (note 9)	(33)	(1,629)
Other grants	(10)	-
	(43)	(1,838)
Operating expenses	6,127	3,929
Loss before the undernoted	(7,948)	(4,762)
Other income (expenses):		
Foreign currency exchange (loss) income	(123)	55
Interest income	86	17
Equity-accounted loss	-	(41)
Finance expense (note 10)	(62)	(141)
	(99)	(110)
<b>Net loss</b>	<b>(8,047)</b>	<b>(4,872)</b>
<b>Other comprehensive loss:</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(17)	-
<b>Total comprehensive loss</b>	<b>(8,064)</b>	<b>(4,872)</b>
Loss per common share - basic and diluted	(0.24)	(0.20)
Weighted average number of common shares outstanding	33,687,524	23,874,745

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	92,357	-	-	-	-	-	92,357
Warrants (note 12)	-	-	-	-	1,662	-	-	1,662
Share-based payments (note 13)	-	-	-	-	679	-	-	679
Net Loss	-	-	-	-	-	(4,872)	-	(4,872)
Balance, March 31, 2021	33,577,950	126,707	-	-	5,023	(37,649)	-	94,081
Balance December 31, 2021	33,649,314	126,310	-	-	6,556	57,797	86	75,155
Exercise of stock options (note 13)	333,334	92	-	-	(38)	-	-	54
Share-based payments (note 13)	-	-	-	-	455	-	-	455
Net loss	-	-	-	-	-	(8,047)	-	(8,047)
Other comprehensive income (loss):								
Foreign currency translation	-	-	-	-	-	-	(17)	(17)
Balance, March 31, 2022	33,982,648	126,402	-	-	6,973	(65,844)	69	67,600

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 March 31,	
	2022 \$	2021 \$
<b>Operating activities</b>		
Net loss	(8,047)	(4,872)
Items not affecting cash:		
Depreciation (note 5)	331	212
Finance expense (note 10)	62	141
Equity-accounted investment elimination	-	41
Inventory write-down (note 4)	1,376	833
Share-based payments (note 13)	455	679
Special advisor warrants	-	1,662
Other	(19)	1
Changes in non-cash working capital and other items, net (note 18)	(1,997)	(3,398)
<b>Net operating cash flow</b>	<b>(7,839)</b>	<b>(4,701)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (note 8)	(3,274)	(182)
<b>Net investing cash flow</b>	<b>(3,274)</b>	<b>(182)</b>
<b>Financing activities</b>		
Net proceeds from share issuance (note 12)	-	93,365
Net proceeds from exercise of stock options (note 13)	20	-
Repayment of long-term debt (note 8)	(38)	(38)
Interest paid	-	(82)
Lease payments (note 7)	(169)	(77)
<b>Net financing cash flow</b>	<b>(187)</b>	<b>93,168</b>
<b>Cash and cash equivalents</b>		
Change during the period	(11,300)	88,285
Cash and cash equivalents, beginning of the period	67,030	3,201
Cash and cash equivalents, end of period	55,730	91,486

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 March 31, 2022 and for the three months ended March 31, 2022 and 2021

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## 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 August 9, 2012 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 May 4, 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 March 31, 2022, the Company has working capital, defined as current assets less current liabilities, of \$61,279, 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.

# LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
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## Subsidiaries:

The following provides information about the Company's wholly owned consolidated subsidiaries as at March 31, 2022:

<b>Name of Subsidiary</b>	<b>State or Jurisdiction of Incorporation</b>	<b>Proportion of Ownership Interest</b>
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 month period ended March 31, 2021 include the reclassification of \$833 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 March 31, 2022 \$6,442 the Company's non-current assets are located in Canada and \$2,559 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:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Customer receivables	753	779
GST receivable and other	1,005	565
Receivables from equity-accounted investment	479	484
Government grant receivable (note 9)	708	715
Accounts receivable	<b>2,945</b>	<b>2,543</b>
Current portion	2,533	2,066
Non-current portion	412	477
	<b>2,945</b>	<b>2,543</b>

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

# 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 March 31, 2022 and for the three months ended March 31, 2022 and 2021

## 4. Inventory:

	March 31, 2022 \$	December 31, 2021 \$
Raw materials	800	578
Work in progress	125	-
Finished goods	712	702
<b>Inventory</b>	<b>1,637</b>	<b>1,280</b>

As at March 31, 2022, inventory is presented net of an allowance for write-downs of \$3,006 (December 31, 2021 - \$1,800). During the three months ended March 31, 2022, the Company recorded a total of \$1,376 in write-downs of its inventory to its net realizable value (three months ended March 31, 2021 - \$833).

Cost of sales for the three months ended March 31, 2022 is comprised of the cost of inventories recognized as an expense of \$327, overheads of \$432, warranty costs of \$34, and the change in allowance for write-downs of inventory of \$1,206.

## 5. Property, plant and equipment:

	Equipment \$	Leasehold improvements \$	Computer hardware \$	Computer software \$	Right-of- use assets \$	Total \$
<b>Cost</b>						
Balance, December 31, 2021	3,580	1,492	298	293	2,449	8,112
Additions	3,446	179	102	14	-	3,741
Effect of movements in foreign exchange rates	-	-	-	-	(10)	(10)
<b>Balance, March 31, 2022</b>	<b>7,026</b>	<b>1,671</b>	<b>400</b>	<b>307</b>	<b>2,439</b>	<b>11,843</b>
<b>Accumulated depreciation</b>						
Balance, December 31, 2021	1,055	891	137	121	648	2,852
Depreciation	125	96	30	17	134	402
<b>Balance, March 31, 2022</b>	<b>1,180</b>	<b>987</b>	<b>167</b>	<b>138</b>	<b>782</b>	<b>3,254</b>
<b>Carrying amounts</b>						
December 31, 2021	<b>2,525</b>	<b>601</b>	<b>161</b>	<b>172</b>	<b>1,801</b>	<b>5,260</b>
<b>March 31, 2022</b>	<b>5,846</b>	<b>684</b>	<b>233</b>	<b>169</b>	<b>1,657</b>	<b>8,589</b>

As at March 31, 2022, the Company has contractual obligations to incur \$4.3 million of future capital expenditures.



# 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 March 31, 2022 and for the three months ended March 31, 2022 and 2021

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

	Three months ended March 31,	
	2022 \$	2021 \$
Cost of sales	167	-
Engineering	55	199
General and administrative	81	13
Business development	12	-
Technology development	16	-
	<b>331</b>	<b>212</b>

At March 31, 2022, \$71 of depreciation expense was recorded in inventory.

## 6. Accounts payable and accrued liabilities:

	March 31, 2022 \$	December 31, 2021 \$
Trade payables and accrued expenses	2,432	1,933
Trade and other payables due to related parties (note 16)	30	21
Payroll accruals	575	892
Accounts payable and accrued liabilities	<b>3,037</b>	<b>2,846</b>

## 7. Lease liabilities:

As at March 31, 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% - 12.0% per annum and the leases expire between June 2023 and December 2027.

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

	March 31, 2022 \$	December 31, 2021 \$
Balance, beginning of year	2,065	450
Additions	-	1,894
Effect of movements in foreign exchange rates	(11)	41
Finance expense (note 10)	48	152
Lease payments	(187)	(472)
Balance, end of period	<b>1,915</b>	<b>2,065</b>
Current portion	713	715
Non-current portion	1,202	1,350
Balance, end of period	<b>1,915</b>	<b>2,065</b>

As at March 31, 2022, the undiscounted contractual obligations of the Company's lease liabilities were as follows: Remainder of 2022: \$559; 2023: \$641; 2024: \$457; 2025: \$216; 2026: \$216; and 2027: \$216.

# LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
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## 8. Long-term debt:

	March 31, 2022 \$	December 31, 2021 \$
Unsecured loan, maturing March 1, 2024, bearing no interest (a)	347	371
Unsecured promissory notes, with no maturity date, bearing no interest	23	23
Total long-term debt	370	394
Less current portion of long-term debt	175	175
Long-term portion	<b>195</b>	<b>219</b>

(a) During the three months ended March 31, 2022, the Company repaid \$38 relating to this long-term debt facility and recorded non-cash finance expenses of \$14 (three months ended 2021 - \$17) (note 10) related to accretion of an associated discount on the loan.

As at March 31, 2022 the contractual maturities of the Company's long-term debt were as follows: Remainder of 2022: \$137, 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. No amounts have been advanced under the agreement at March 31, 2022. The funds are to be received as certain milestones are accomplished over a period up to March 31, 2024.

## 9. Deferred revenue and recoveries:

	March 31, 2022 \$	December 31, 2021 \$
SDTC	2,333	2,366
Contracts with customers	603	247
Shanghai Industrial Zone Economic Development	707	715
Balance, end of period	<b>3,643</b>	<b>3,328</b>
Current portion	2,836	2,479
Non-current portion	807	849
Balance, end of period	<b>3,643</b>	<b>3,328</b>

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.

# LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except per share amounts and share data)

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

<b>SDTC</b>	<b>March 31, 2022 \$</b>	<b>December 31, 2021 \$</b>
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	(33)	(134)
Recognition of additional funding for first and second milestone	-	(224)
Balance, end of period	<b>2,333</b>	<b>2,366</b>

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:

	<b>Three months ended March 31,</b>	
	<b>2022 \$</b>	<b>2021 \$</b>
Interest and accretion of convertible debt	-	102
Accretion of long-term debt (note 8)	14	17
Finance expense - lease liabilities (note 7)	48	22
Total	<b>62</b>	<b>141</b>

## 11. Warranty provision:

	<b>March 31, 2022 \$</b>	<b>December 31, 2021 \$</b>
Balance, beginning of period	305	-
Provisions made during the quarter, net	22	305
Balance, end of period	<b>327</b>	<b>305</b>
Current portion	138	112
Non-current portion	189	193
Long-term portion	<b>327</b>	<b>305</b>

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.

# LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
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The Company recorded warranty provisions of \$22, net of claims, for the three-months ended March 31, 2022 (March 31, 2021 - \$nil).

## 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, March 31, 2022	<b>66,667</b>	<b>1.50</b>

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 March 31, 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

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## 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, restricted share units ("RSUs"), performance share units and other share-based awards. As at March 31, 2022, the Company had only granted stock options and RSUs under the Plan.

The exercise price of each option is measured as 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 based on 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 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	(29,167)	3.87
Exercised	(333,334)	1.02
Granted	-	-
Expired	(13,399)	16.00
Balance, Mar 31, 2022	<b>2,447,021</b>	<b>2.64</b>
Exercisable, March 31, 2022	<b>2,117,982</b>	<b>1.61</b>

The weighted average share price on the date of exercise for options exercised during the three months ended March 31, 2022 was \$2.66.

During the three months ended March 31, 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.

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During the three months ended March 31, 2022, the Company granted a total of nil stock options (three months ended March 31, 2021 - 230,632) with a weighted average fair value of \$nil per option (March 31, 2021 - \$12.18). The share-based compensation expense for the Company's stock options was calculated using the Black-Scholes method of valuation using the following assumptions:

	<b>2021</b>
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	(677)
Balance, March 31, 2022	<b>196,561</b>

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

	<b>Three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Engineering	77	167
General and administrative	294	412
Business development	83	100
Technology development	1	-
	<b>455</b>	<b>679</b>

## 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 three months ended March 31, 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.

# LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements  
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## 15. Scientific research and experimental development ("SR&ED") tax credits:

The Company has estimated its SR&ED tax credits claim for the three months ended March 31, 2022, to be a recovery of \$nil (2021 - recovery of \$209) relating to tax credits prior to the Company becoming a public company. As at March 31, 2022 the Company has a SR&ED tax credit receivable of \$1,416 (December 31, 2021 - \$1,416). To the extent the SR&ED claim is adjusted and accepted, it would impact the amount of the 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 March 31,	
	2022	2021
	\$	\$
Salaries and benefits	531	376
Share-based payments	267	531
Director fees	38	-
	<b>836</b>	<b>907</b>

### Other related party transactions

During the first quarter 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 three months ended March 31, 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 March 31, 2022, the Company had \$479 in accounts receivable (December 31, 2021 - \$484) and \$30 in accounts payable and accrued liabilities (December 31, 2021 - \$21), from transactions with a joint venture. 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 March 31,	
	2022	2021
	\$	\$
Cost of sales	249	-
Engineering	1,485	1,019
General and administrative	1,157	678
Business development	390	167
Technology development	186	82
Total	<b>3,467</b>	<b>1,946</b>

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## 18. Supplemental cash flow information:

The changes in non-cash working capital and other items related to operating activities for the three-month periods ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31,	
	2022	2021
	\$	\$
Accounts receivable	(370)	(23)
Tax credit receivable	-	(209)
Inventory	(1,660)	(1,153)
Prepaid expenses and advances	(11)	(2,165)
Deferred financing fees	-	500
Accounts payable and accrued liabilities	(275)	(798)
Deferred revenues and recoveries	297	450
Warranty provision, net	22	-
Total	<b>(1,997)</b>	<b>(3,398)</b>

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.

## 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 March 31, 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 March 31, 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-months ended March 31, 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 months ended March 31, 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.



# LOOP ENERGY INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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## **20. Subsequent Events:**

In April 2022, the Company granted restricted share unit compensation awards to certain officers, directors and employees, with respect to 622,574 RSUs, with an aggregate grant date fair value of \$1,886 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 grant. 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.