Notice of No Auditor Review
The accompanying unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024, of Loop Energy Inc. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. Independent auditors have not audited or reviewed these condensed interim consolidated financial statements.

Unaudited Interim Condensed Consolidated Financial Statements of

LOOP ENERGY INC.

(Expressed in thousands of Canadian dollars)

As at March 31, 2024 and for the three months ended March 31, 2024 and 2023

LOOP ENERGY INC.

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

	As at March 31, 2024 $	As at December 31, 2023 $
ASSETS		
Current assets:		
Cash and cash equivalents	2,312	2,935
Accounts receivable (note 3)	153	136
Inventory (note 4)	2,406	1,356
Prepaid expenses and advances	501	647
Total current assets	5,372	5,074
Non-current assets		
Accounts receivable (note 3)	18	36
Property, plant and equipment (note 5)	12,600	16,868
Total non-current assets	12,618	16,904
Total assets	17,990	21,978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	2,661	2,615
Short term loan (note 7)	1,505	-
Current portion of lease liabilities (note 8)	906	1,169
Current portion of long-term debt (note 9)	132	166
Deferred revenue and recoveries (note 10)	791	417
Warranty provision (note 12)	184	322
Total current liabilities	6,179	4,689
Non-current liabilities		
Lease liabilities (note 8)	2,103	2,236
Long-term debt (note 9)	6,243	6,085
Deferred revenue and recoveries (note 10)	1,918	2,154
Warranty provision (note 12)	289	449
Total non-current liabilities	10,553	10,924
Total liabilities	16,732	15,613
Shareholders' equity:		
Common shares (note 13)	127,673	127,672
Share-based payment reserve	7,778	8,311
Deficit	(133,992)	(129,439)
Foreign currency reserve	(201)	(179)
Total shareholders' equity	1,258	6,365
Total liabilities and equity	17,990	21,978

Commitments (note 19)

Contingencies (note 20)

Subsequent events (note 7, 21)

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, 2024 $	Three months ended March 31, 2023 $
Revenues (note 15)	120	903
Cost of sales		
Cost of goods sold	138	2,451
Change in allowance for inventory write-down	208	1,399
Gross margin	(226)	(2,947)
Expenses:		
General and administrative	1,189	2,356
Engineering	1,287	3,489
Business development	48	1,326
Technology development	97	259
Impairment loss (note 5)	3,616	-
	6,237	7,430
Cost recoveries:		
SDTC and JGF Program (note 10)	(66)	(3,085)
Other grants	(224)	(37)
	(290)	(3,122)
Operating expenses	5,947	4,308
Loss before the undernoted	(6,173)	(7,255)
Other income (expenses):		
Foreign currency exchange	25	(19)
Gain on settlements (note 3)	1,252	-
Recovery on extinguishment of lease liability	451	-
Interest and other income	128	172
Finance expense (note 11)	(236)	(181)
Net loss	(4,553)	(7,283)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(22)	60
Total comprehensive loss	(4,575)	(7,223)
Loss per common share – basic and diluted	(0.13)	(0.21)
Weighted average number of common shares outstanding	34,395,534	34,040,856

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** **$**	**Share-based payment reserve** **$**	**Deficit** **$**	**Foreign currency reserve** **$**	**Total shareholders' equity** **$**
Balance December 31, 2022	34,005,791	126,828	7,966	(95,284)	-	39,510
Exercise of stock options	183,333	217	(81)	-		136
Shares issued on RSU redemption	46,398	138	(145)	-	-	(7)
Share-based payments (note 13)	-	-	275	-	-	275
Net loss	-	-	-	(7,283)	-	(7,283)
Other comprehensive income (loss):						
Foreign currency translation	-	-	-	-	60	60
Balance, March 31, 2023	34,235,522	127,183	8,015	(102,567)	60	32,691
Balance December 31, 2023	34,395,495	127,672	8,311	(129,447)	(179)	6,365
Shares issued as compensation	97	1	-	-	-	1
Share-based payments (note 13)	-	-	(533)	-	-	(533)
Net loss	-	-	-	(4,553)	-	(4,533)
Other comprehensive income (loss):						
Foreign currency translation	-	-	-	-	(22)	(22)
Balance, March 31, 2024	34,395,592	127,673	7,778	(133,992)	(201)	1,258

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,	
	2024	**2023**
	$	**$**
Operating activities		
Net loss	(4,553)	(7,283)
Items not affecting cash:		
Depreciation (note 5)	596	653
Impairment loss (note 5)	3,616	-
Finance expense (note 11)	236	181
Inventory write-down (note 4)	208	2,308
Share-based payments (note 14 and 17)	(533)	275
Gain on settlements (note 3)	(1,252)	-
Recovery on extinguishment of lease liability	(451)	-
Others	52	(88)
Changes in non-cash working capital and other items, net (note 18)	39	(5,057)
Net cash flows used in operating activities	(2,042)	(9,011)
Investing activities		
Purchase of property, plant and equipment (note 5)	71	(2,392)
Proceeds from disposition of assets	58	-
Net cash flows used in investing activities	129	(2,392)
Financing activities		
Net proceeds from exercise of stock options (note 14)	-	136
Proceeds from short-term loan (note 7)	1,500	-
Repayment of long-term debt (note 9)	(39)	(38)
Lease payments (note 8)	(177)	(189)
Net cash flows provided by financing activities	1,284	(91)
Cash and cash equivalents		
Change during the period	(629)	(11,494)
Impact of foreign exchange on cash and cash	6	133
Cash and cash equivalents, beginning of the period	2,935	24,524
Cash and cash equivalents, end of period	2,312	13,163

Supplemental cash flow information (note 18)

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

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. The Company's head office is located at 2880 Production Way, Burnaby, BC, V5A 4T6.

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, 2023.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company on May 14, 2024.

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.

Going Concern:
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.

The Company realized a net loss of $4,553 for the three months ended March 31, 2024 (three months ended March 31, 2023- $7,283) and had negative cash flows from operations of $2,042 (three months ended March 31, 2023 – negative $9,011). As at March 31, 2024, the Company has negative working capital, being current assets less current liabilities, of $807. The Company expects to incur further losses in the development of its business and forecasts that it will need to seek additional funds within the next two months to continue as a going concern and meet its ongoing expenditures and obligations. While the Company has been successful in securing financing in the past, there can be no assurances that it will be able to do so in the future. These conditions indicate a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

While the Company has incurred losses to date, its strategy to mitigate this uncertainty is to continue its drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on revenue growth, improving gross margins, maintaining discipline over operating expenses, managing working capital requirements, and securing additional financing to fund operations as needed until the Company does achieve profitable operations that are sustainable.

These unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

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

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 unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Subsidiaries are entities which the Company has exposure to, or has rights to, variable returns from its involvement with the entity and has the ability to use power over the investee to affect its returns. 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 unaudited interim condensed consolidated financial statements and unrealized gains or losses on transactions are eliminated upon consolidation.

Subsidiaries:

The following provides information about the Company's wholly owned consolidated subsidiaries as at March 31, 2024:

Name of Subsidiary	State or Jurisdiction of Incorporation	Proportion of Ownership Interest
1123640 B.C. Ltd	Canada	100%
1299502 B.C. Ltd	Canada	100%
1465123 B.C. Ltd	Canada	100%
Loop Energy Technologies (Shanghai) Co. Ltd.	China	100%

Estimation uncertainty

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 annual consolidated financial statements as at and for the year ended December 31, 2023. Actual results may differ from these estimates.

Material 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, 2024 $11,338 of the Company's non-current assets are located in Canada and $1,262 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, 2023.

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

3. Accounts receivable:

	March 31, 2024 $	December 31, 2023 $
Customer receivables	79	95
GST receivable and other	92	77
Accounts receivable	**171**	**172**
Current portion	153	136
Non-current portion	18	36
	171	**172**

At March 31, 2024, receivables are recorded, net of an allowance for an expected credit loss of $1,204 (December 31, 2023 - $1,801), with credit losses recorded in general and administrative expenses and recoveries of credit losses in the three months ended March 31, 2024 recorded in other income as a component of the gain on settlements.

During the three months ended March 31, 2024, the Company reached settlements with customers with respect to overdue outstanding accounts receivable balances. The settlements resulted in the acquisition of inventory with a value of $1,240 to the Company. Since the receivables had been provided for in full in 2023, these settlement agreements resulted in a gain of $1,252. As part of the settlements, the Company also issued credit notes in the amount of $140 for future purchases by customers, which is included in accounts payable and accrued liabilities (note 6).

4. Inventory:

	March 31, 2024 $	December 31, 2023 $
Raw materials	893	971
Finished goods	1,513	385
Inventory	**2,406**	**1,356**

As at March 31, 2024, inventory is presented net of an allowance for write-downs of $7,024 (December 31, 2023 - $6,816).

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

5. Property, plant and equipment:

	Equipment $	Leasehold improvements $	Computer hardware $	Computer software $	Right-of-use assets $	Total $
Cost						
Balance, December 31, 2023	**17,231**	**6,497**	**755**	**426**	**5,087**	**29,996**
Additions	-	(58)	-	-	-	(58)
Disposal	(10)	(1,791)	(8)	(29)	(400)	(2,238)
Effect of movements in foreign exchange rates	13	-	1	-	(1)	13
Balance, March 31, 2024	**17,234**	**4,648**	**748**	**397**	**4,686**	**27,713**
Accumulated depreciation and Impairment						
Balance, December 31, 2023	**4,693**	**3,869**	**712**	**380**	**3,474**	**13,128**
Depreciation	339	144	15	10	88	596
Impairment loss	3,616	-	-	-	-	3,616
Disposal	(5)	(1,791)	(8)	(29)	(400)	(2,233)
Effect of movement in FX	7	1	(1)	(1)	-	6
Balance, March 31, 2024	**8,650**	**2,223**	**718**	**360**	**3,162**	**15,113**
Carrying amounts						
December 31, 2023	**12,538**	**2,628**	**43**	**46**	**1,613**	**16,868**
March 31, 2024	**8,584**	**2,425**	**30**	**37**	**1,524**	**12,600**

Included in the cost of equipment is nil (December 31, 2023 - $2,031) of assets under construction that are not being depreciated as they are not yet available for use and nil (December 31, 2023 - $1,585) of deposits paid for equipment to be delivered in 2024.

During and subsequent to the three months ended March 31, 2024, the Company assessed that indicators of impairment existed due to the termination of the amalgamation agreement with H2 Portable Power Corp. ("H2P") and the decline in market capitalization of the Company. As a result, the Company recorded an impairment loss of $3,616 in the period.

The Company has recorded accumulated impairment losses of $8,426 for the year ended 2023 and the three months period ending March 31, 2024.

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

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Cost of sales	215	146
Product Development	325	238
General and administrative	44	236
Business development	6	17
Technology development	6	16
	596	**653**

As at March 31, 2024, $ Nil (March 31, 2023 - $249) of depreciation expense was recorded in inventory.

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

6. Accounts payable and accrued liabilities:

	March 31, 2024 $	December 31, 2023 $
Trade payables and accrued expenses	2,341	2,199
Payroll accruals	296	410
Deposit payable	24	6
Accounts payable and accrued liabilities	**2,661**	**2,615**

7. Short term loan:

On March 4, 2024, the company entered into an agreement with H2 Portable Power Corp. ("H2P") for it to provide an unsecured short-term loan in the amount of $1,500. The outstanding principal amount on the loan shall bear interest at a rate equal to Royal Bank of Canada prime rate in effect from March 16 per annum, until the loan is paid in full or settled by way of H2P issuing one or more purchase orders. As of March 31, 2024, the company has a balance of $1,505 related to the short-term loan including accrued interest. The Company's short-term borrowing obligation is comprised of:

	March 31, 2024 $	December 31, 2023 $
H2 Portable Power Corp. Bridge unsecured loan	1,500	-
Interest accrued during the period	5	-
Balance, end of period	**1,505**	**-**

Subsequent to March 31, 2024, the Company received a purchase order for inventory amounting to $1,500 from H2P which was set off against the principal amount of the unsecured loan which reduced the balance owing to $5.

8. Lease liabilities:

As at March 31, 2024, the Company leases premises for the Company's office and manufacturing space. The lease liabilities have been calculated using discount rates ranging from 8.0% - 13.0% per annum and the leases expire between September 2024 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 the three months ended March 31, 2024 and the year ended December 31, 2023:

	March 31, 2024 $	December 31, 2023 $
Balance, beginning of period	3,405	3,736
Additions	-	955
Effect of movements in foreign exchange rates	-	(51)
Finance expense (note 11)	68	333
Lease payments[1]	(271)	(1,104)
Lease termination	(193)	(464)
Balance, end of period	**3,009**	**3,405**
Current portion	906	1,169
Non-current portion	2,103	2,236
Balance, end of period	**3,009**	**3,405**

1) Includes $94 of payments recorded in accounts payable as at March 31, 2024.

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

As at March 31, 2024 the undiscounted contractual obligations of the Company's lease liabilities were as follows:2024: $897; 2025: $795; 2026: $817; 2027: $810; and 2028: $457.

9. Long-term debt:

On March 31, 2022, the Company entered into an agreement with Pacific Economic Development Canada for funding, Job and Growth Fund-Innovation Program ("JGF Program"), 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. In accordance with the terms of the JGF Program agreement, the Company shall not dispose of any asset acquired or developed which is funded in whole or in part by the funding received without receipt of prior written consent and the Company shall not pay any distribution of retained earnings to shareholders until the loan contribution has been repaid in full. During the period ending March 31, 2024, the maximum JGF Program funding was adjusted to $8,855 being the amount already received by the Company.

The Company's long-term debt obligation is comprised of:

	March 31, 2024 $	**December 31, 2023 $**
Unsecured loan, maturing December 1, 2024, bearing no interest (a)	109	143
Unsecured promissory notes, with no maturity date, bearing no interest	23	23
Unsecured JGF Program loan, maturing March 31, 2030, bearing no interest (b)	6,243	6,085
Total long-term debt	6,375	6,251
Less current portion of long-term debt	132	166
Long-term portion	**6,243**	**6,085**

(a) During the three months ended March 31, 2024, the Company repaid $39 relating to this long-term debt facility and recorded non-cash finance expenses of $5 (three months ended March 31, 2023 - $38) (note 11) related to accretion of an associated discount on the loan.

(b) During the year ended December 31, 2022, the Company received a total of $5,970 relating to JGF Program funding in 2 different tranches. The Company applied an effective interest rate of 9.75% and 12.0% to discount the cash flows of the non-interest-bearing loan applicable to each tranche. The loan was valued at $3,070 and $652 for each tranche respectively on the payment receipt date. During the year ended December 31, 2023, the Company received a third and fourth tranche aggregating to $2,885. The Company applied an effective interest rate of 12.25% and 12.50% to discount the cash flows of the non-interest-bearing loan applicable to each tranche. The loan was valued at aggregate amount of $1,778 on the payment receipt date. The fair value discount of the loan is classified as deferred revenue and recoveries (note 9). The Company recorded non-cash finance expenses of $158 during the three months ended March 31, 2024 related to accretion of the associated discount on the loan.

As at March 31, 2024 the contractual maturities of the Company's long-term debt were as follows: 2024: $137; 2025: $1,328; 2026: $1,771; 2027: $1,771; 2028: $1,771 and $2,215 thereafter.

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

10. Deferred revenue and recoveries:

	March 31, 2024 $	December 31, 2023 $
Contracts with customers	521	142
JGF Program	2,188	2,254
Shanghai Industrial Zone Economic Development	-	175
Balance, end of period	**2,709**	**2,571**
Current portion	791	417
Non-current portion	1,918	2,154
Balance, end of period	**2,709**	**2,571**

JGF Program

As disclosed in Note 8, the Company entered into an agreement with Pacific Economic Development Canada and received its JGF Program funding in two tranches of $4,863 and $ 1,107 during the year ended December 31, 2022. The loan was valued at $3,070 and $ 652 respectively on the payment receipt date of each tranche with the discount of $1,793 and $ 455 respectively being recorded as deferred cost recovery. During the year ended December 31, 2023, the Company received an aggregate of $2,884 for the third and fourth tranche and recorded an aggregate discount of $1,106 as deferred cost recovery. During the three months ended March 31, 2024, the Company recognized $66 (three months ended March 31, 2023 – $119) for usage of the property, plant and equipment acquired with the remaining recovery to be recognized over the life of the property, plant and equipment acquired with such funds.

The following table presents the changes in the balance of the Company's JGF Program deferred recoveries for the three months ended March 31, 2024:

JGF Program	March 31, 2024 $	December 31, 2023 $
Balance, beginning of year	2,254	1,617
Recognition of additional funding	-	1,106
Costs recovery	(66)	(469)
Balance, end of period	**2,188**	**2,254**

Shanghai Jiading Industrial Zone

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 included the expected exercise of a three-year extension option by the Company, that the Company no longer expects to exercise). 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 were 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. As at September 30, 2023, the Company had decided to shut down production in China and does not expect to receive further subsidy under the program. Accordingly, the Company reduced the government subsidy receivable to nil (note 5). During the period ended March 31, 2024, the Company executed a termination agreement with the landlord and government entity, relieving all parties from any obligations towards the other party with respect to unpaid rent, subsidy receivable and the repayment of the subsidy. Accordingly, $177 of deferred recovery representing the potential repayment to the government was reversed.

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

11. Finance expense:

	Three months ended March 31,	
	2024	**2023**
	$	**$**
Interest on short term loan (note 7)	5	-
Accretion of long-term debt (note 9)	163	103
Finance expense – lease liabilities (note 8)	68	78
Total	**236**	**181**

12. Warranty provision:

	March 31, 2024	**December 31, 2023**
	$	**$**
Balance, beginning of period	771	557
Provisions (reversed)/ made during the period, net	(298)	214
Balance, end of period	**473**	**771**
Current portion	184	322
Non-current portion	289	449
Long-term portion	**473**	**771**

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.

For the three months ended March 31, 2024, the Company reduced its warranty provisions by $298 net as a result of product acquired pursuant to settlement agreements (note 3) and warranty expiry offset by sales in the quarter, and incurred nil in related expenses (December 31, 2023 net increase to the provision is $214 and nil respectively).

13. Share capital:

The Company has unlimited authorized common shares without par value.

Warrants:
The Company had issued warrants that allow the holder to acquire additional common shares of the Company. During the three months ended March 31, 2024 all 66,667 warrants outstanding at the beginning of the period expired unexercised.

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

14. 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, 2024, 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, 2023	1,506,810	3.32
Forfeited	(809,165)	2.73
Expired	(43,333)	1.11
Balance, March 31, 2024	**654,312**	**4.19**
Exercisable, March 31, 2024	**633,048**	**3.97**

RSUs:

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

	Number of RSUs #
Balance, December 31, 2023	1,126,457
Forfeited	(446,843)
Balance, March 31, 2024	**679,614**

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

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

	Three months ended March 31, 2024 $	2023 $
Engineering	(10)	46
General and administrative	(318)	167
Business development	(211)	53
Technology development	6	9
	(533)	**275**

15. 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, 2024 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 geographical region based on the location of the Company's customers:

	Three months ended March 31, 2024 $	2023 $
Europe	-	662
Australia	120	241
	120	903

16. Related party transactions:

The Company considers a person or entity as a related party if they are a member of key management personnel including their close relatives, an associate or joint venture, those having significant influence over the Company, as well as entities that are under common control or controlled by related parties. Transactions were incurred in the normal course of business and are recorded at amounts agreed upon by the related parties.

With the Company's joint venture
As at March 31, 2024, the Company had a receivable of $295 from In-Power Loop Energy Technology (Beijing) Co, Ltd (December 31, 2023 - $295) for sale of ancillary parts of the module for which an allowance for credit loss of $295 has been recorded.

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

17. Employee remuneration:

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

	Three months ended March 31,	
	2024 $	2023 $
Cost of Sales	27	354
Engineering	594	2,189
General and administrative	100	1,076
Business development	(22)	960
Technology development	69	136
Total	768	4,715

18. Supplemental cash flow information:

The changes in non-cash working capital and other items related to operating activities for the years ended March 31, 2024 and 2023 are as follows:

	Three months ended March 31,	
	2024 $	2023 $
Accounts receivable	2	(116)
Inventory	(65)	(3,403)
Prepaid expenses and advances	146	(1,061)
Accounts payable and accrued liabilities	(31)	683
Deferred revenues and recoveries	86	(1,247)
Warranty provision	(99)	87
Total	39	(5,057)

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.

The following table presents the change in the balance of long-term debt arising from financing activities for the three months ended March 31, 2024 and 2023:

	March 31, 2024 $	March 31, 2023 $
Balance, beginning of the period	6,251	4,103
Repayment of long-term debt	(39)	(38)
Accretion of long-term debt (note 11)	163	103
Balance, end of the period	**6,375**	**4,168**

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, 2024 approximates their fair value given their short-term nature or the discount rates used in assessing the fair value. The fair value of long-term debt at March 31, 2024 was less than its carrying value by $297 as a result of change in discount rate.

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, 2024. 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, 2024.

Capital Management and Financial Risk Management

As at March 31, 2024, the capital structure of the Company consists of $7.6 million (December 31, 2023 - $12.6 million) in shareholders' equity and debt. In accordance with the terms of the JGF Program (note 9), the Company shall not pay any distribution of retained earnings to shareholders until the loan contribution has been repaid in full.

The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. The Company manages its capital to ensure as far as possible that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity given the assumed risks of its operations. This is done primarily through debt and equity financing and is supplemented by applying for government grant programs where available. Future financings are dependent on market conditions and the ability to identify sources of investment. There can be no assurance the Company will be able to raise funds in the future.

The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and future cash flow forecasts which are reviewed and approved by the Board of Directors. The Company continually makes strategic and financial updates to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

There were no changes to the Company's approach to capital management during the three months ended March 31, 2024.

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's intent is to maintains sufficient financial liquidity to be able to meet its current operating requirements (see note 2, Going Concern). The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at March 31, 2024, the Company had working capital deficit of $807, being current assets less current liabilities. The Company will need to seek additional funds within the next two months to continue as a going concern and meet its ongoing expenditures and obligations.

The Company's primary liquidity needs for the next twelve months are to pay existing committed capital expenditures, to make scheduled repayments of debt, to pay operating expenses and to manage its working capital.

The following contractual maturities of financial obligations (including interest) exist as at March 31, 2024:

	Carrying amount $	Contractual cash flows $	Within 1 year $	1 to 3 years $	thereafter $
Accounts payable and accrued liabilities	2,661	2,661	2,661	-	-
Short term Loan	1,505	1,505	1,505	-	-
Lease liabilities	3,009	3,776	1,094	1,622	1, 060
Long-term debt	6,375	9,030	175	3,099	5,756
	13,550	**16,972**	**5,435**	**4,721**	**6,816**

In addition, as at March 31, 2024, the Company had committed to the following obligations that were not recognized as liabilities:

	Contractual cash flows $	Within 1 year $	1 to 3 years $	thereafter $
Property, plant and equipment	176	176	-	-
	176	**176**	**-**	**-**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's exposure to credit risk on customer accounts receivable is influenced mainly by the individual characteristics of each debtor. The Company currently only has a small number of customers and is therefore able to monitor credit risk on an individual account basis periodically and apply lifetime expected loss provisions where any uncertainty on collectability is identified.

At March 31, 2024, two customers accounted for 99% of the outstanding customer receivable (December 31, 2023 – Two customers accounted for 98%)

There have been no significant developments in the Company's financial risk factors as included in the Company's consolidated financial statements as at end for the year ended December 31, 2023.

20. Contingencies

A contractor has filed an arbitration case in Shanghai against Loop Energy Technologies (Shanghai) Co., Ltd. ("Loop Shanghai") for RMB 7.6 million ($1.4 million) claiming additional costs associated with leasehold improvements above the contracted price. Loop Shanghai has initiated a counter claim for RMB 4.1 million ($0.8 million) for work not completed, penalties for late delivery and quality issues. Management's assessment is that the basis for the claim has no merit, and the Company intends to vigorously defend itself with respect to the claims made. No provision has been made in these financial statements with respect to the claims as Management does not consider that there is any probable loss. The results of the arbitration are not expected for another two to six months.

21. Subsequent Events

Subsequent to March 31, 2024, the Company received a purchase order for inventory amounting to $1,500 from H2P which was set off against the principal amount of the unsecured loan which reduced the balance owing to $5.

On April 30, 2024 the Company terminated the Amalgamation Agreement between Loop Energy Inc., H2P and 1465123 B.C. Limited which was entered into on February 9, 2024 since the transaction contemplated therein could not be completed. As a result of this if the Company is unable to conclude a sale transaction, strategic combination or raise additional funds within 2 months, it will be required to consider alternatives that may not see the Company continue as a going concern (note 2).