



**FOBI AI INC.**  
**(Formerly Loop Insights Inc.)**

Condensed Consolidated Interim Financial Statements

Three months ended September 30, 2021

(Expressed in Canadian Dollars)  
(Unaudited)

## NOTICE OF NO AUDITOR OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Fobi AI Inc. (formerly Loop Insights Inc.)**

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Note	September 30, 2021	June 30, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 8,266,234	\$ 7,501,753
Accounts receivable	5	1,209,033	844,502
Prepaid		321,670	328,565
Inventory		53,604	-
Loans receivable		-	288,438
		<u>9,850,541</u>	<u>8,963,258</u>
<b>Non-current assets</b>			
Loan receivable		-	193,096
Equipment	6	121,038	122,062
Intellectual property	7	155,167	171,792
Right-to-use asset		32,769	37,672
Intangible assets	4	835,396	873,996
Goodwill	4	1,320,468	1,320,468
<b>TOTAL ASSETS</b>		<b>\$ 12,315,379</b>	<b>\$ 11,682,344</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 889,713	\$ 538,938
Current portion of lease liabilities	9	14,766	16,912
Deferred revenue		60,254	108,488
Loans		-	20,000
		<u>964,733</u>	<u>684,338</u>
Deferred income taxes	4	271,693	271,693
Non-current portion of lease liability	9	19,733	22,218
<b>TOTAL LIABILITIES</b>		<b>1,256,159</b>	<b>978,249</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	10	46,135,205	42,363,480
Subscription receivable		(130,568)	(130,568)
Contributed surplus		8,577,317	7,562,494
Deficit		(43,523,281)	(39,091,291)
Accumulated other comprehensive gain (loss)		547	(20)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>11,059,220</b>	<b>10,704,095</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 12,315,379</b>	<b>\$ 11,682,344</b>

Nature of operations and continuance of business (Note 1)

Commitments and contingencies (Note 17)

Subsequent events (Note 19)

Approved and authorized for issuance on behalf of the Board of Directors on November 29, 2021:

/s/ "Robert Douglas Anson"

Director

/s/ "Jeff Hyman"

Director

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

**Fobi AI Inc. (formerly Loop Insights Inc.)**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Notes	Three months ended September 30, 2021	Three months ended September 30, 2020
<b>Revenue</b>		<b>\$ 580,317</b>	<b>\$ -</b>
<b>Operating Expenses</b>			
Advertising and marketing		170,485	108,042
Cost of services sold		91,045	-
Consulting fees		354,524	212,310
Amortization	4,6,7	75,511	16,583
Insurance		8,458	-
Interest and accretion expense		1,599	14,107
Investor relations		31,280	-
License and distribution fees		127,612	5,028
Office and general		145,356	13,814
Professional fees		79,133	111,402
Rent		26,155	3,362
Research and development		15,188	62,975
Share-based compensation	11	2,619,361	58,692
Transfer agent and filing fees		18,794	33,766
Travel		43,964	1,942
Other		2,140	-
Wages and benefits	8	1,237,926	371,769
<b>Loss before other items</b>		<b>\$ (4,468,214)</b>	<b>\$ (1,013,792)</b>
<b>Other items</b>			
Other income		20,000	-
Interest income		2,368	-
Foreign exchange gain		13,856	-
<b>Net Loss</b>		<b>\$ (4,431,990)</b>	<b>\$ (1,013,792)</b>
Accumulated other comprehensive gain (loss)		(567)	-
<b>Comprehensive Loss</b>		<b>\$ (4,432,557)</b>	<b>\$ (1,013,792)</b>
<b>Comprehensive loss per share, basic and diluted</b>		<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>136,117,225</b>	<b>101,053,399</b>

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

## Fobi AI Inc. (formerly Loop Insights Inc.)

Condensed Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	Number of Outstanding Shares	Common Shares	Subscriptions receivable	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Shareholders' Equity
<b>Balance, June 30, 2020</b>	91,383,209	\$ 23,464,437	\$ (140,000)	\$ 3,458,791	\$ -	\$ (27,994,708)	\$ (1,211,480)
Issuance of common shares for cash, net of issuance costs	5,686,904	597,125					597,125
Warrants exercised	8,801,900	1,237,785	(75,000)				1,162,785
Stock options exercised	776,250	365,408		(219,970)			145,438
Subscription received			19,432				19,432
Share-based compensation				58,692			58,692
Net loss for the year						(1,013,792)	(1,013,792)
<b>Balance, September 30, 2020</b>	<b>106,648,263</b>	<b>\$ 25,664,755</b>	<b>\$ (195,568)</b>	<b>\$ 3,297,513</b>	<b>\$ -</b>	<b>\$ (29,008,500)</b>	<b>\$ (241,800)</b>
<b>Balance, June 30, 2021</b>	134,862,263	\$ 42,363,480	\$ (130,568)	\$ 7,562,494	\$ (20)	\$ (39,091,291)	\$ 10,704,095
Warrants exercised	5,275,000	1,779,333		(588,083)			1,191,250
Stock options exercised	2,028,250	1,992,392		(1,016,455)			975,937
Share-based compensation				2,619,361			2,619,361
Accumulated other comprehensive loss					567	(4,431,990)	567
Net loss for the year							(4,431,990)
<b>Balance, September 30, 2021</b>	<b>142,165,513</b>	<b>\$ 46,135,205</b>	<b>\$ (130,568)</b>	<b>\$ 8,577,317</b>	<b>\$ 547</b>	<b>\$ (43,523,281)</b>	<b>\$ 11,059,221</b>

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

**Fobi AI Inc. (formerly Loop Insights Inc.)**

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
<b>Operating Activities</b>		
Net loss for the period	\$ (4,431,991)	\$ (1,013,792)
Adjustments for non-cash items:		
Amortization	75,511	16,583
Interest and accretion expense	1,599	23,846
Share-based compensation	2,619,361	58,692
Changes in non-cash working capital items:		
Accounts receivable	(364,531)	(8,119)
Prepaid	6,895	(31,805)
Inventory	(53,604)	-
Accounts payable and accrued liabilities	350,775	(239,725)
Loans	(20,000)	-
Deferred Income	(48,234)	-
<b>Net cash flows used in operating activities</b>	<b>\$ (1,864,219)</b>	<b>\$ (1,194,320)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(14,359)	-
<b>Net cash used in investing activities</b>	<b>\$ (14,359)</b>	<b>\$ -</b>
<b>Financing Activities</b>		
Shares issued for cash	-	597,125
Exercise of stock options	975,937	145,438
Exercise of warrants	1,191,250	1,237,755
Subscription receivables received	-	(55,538)
Lease repayment	(6,229)	(15,193)
Loan repayment	481,534	-
<b>Net cash flows provided by financing activities</b>	<b>\$ 2,642,492</b>	<b>\$ 1,909,587</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<b>567</b>	<b>-</b>
Increase in cash and cash equivalents	764,481	715,267
Cash and cash equivalents, beginning of the year	7,501,753	174,252
<b>Cash, ending</b>	<b>\$ 8,266,234</b>	<b>\$ 889,519</b>
<b>Supplemental Cash Disclosures</b>		
Cash paid for income taxes	-	-
Cash paid for interest	-	-

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

## **Fobi AI Inc. (formerly Loop Insights Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

---

### **1. Nature of Operations and Continuance of Business**

Fobi AI Inc. (formerly “Loop Insights Inc.”) (the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on January 12, 1987. The Company’s shares trade on TSX Venture Exchange under the symbol “FOBI” and on OTCQF under the symbol “FOBIF”.

The Company operates in the technology industry and earns revenues from directly selling software as a service (“SaaS”), reselling, referring, and licensing its technology to licensors. The address of the Company’s corporate office and principal place of business is Suite 541 Howe Street, Vancouver B.C., V6C 2C2.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company has incurred losses since inception and has an accumulated deficit of \$43,910,796 as at September 30, 2021. The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2021, is uncertain. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. These condensed consolidated interim 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.

The impact of the outbreak of COVID-19 is uncertain and could ultimately have a significant impact on operations. The Company has adapted certain of its software technologies to provide contact solutions to schools and sports venues. To date there has been no material negative economic impact on the Company’s operations. The Company established COVID-19 management plans and implemented protocols and preventative measures to mitigate the spread of COVID-19 to protect the well-being of its employees, contractors, their families. The Company continues to follow the stringent COVID-19 infection prevention guidance and directives of federal, provincial and regional authorities in respect of acceptable protocols.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

---

### 2. Basis of Preparation

#### a) Statement of compliance and basis of presentation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended June 30, 2021. The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s June 30, 2021 audited consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

#### b) Basis of Consolidation and Functional Currency

These condensed consolidated interim financial statements include the accounts of the Company and the following subsidiaries:

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Functional currency</b>	<b>Percentage of ownership</b>
Loop Insights (USA) Inc.	USA	US Dollar	100%
AlkaLi3 Resources Inc.	Canada	Canadian Dollar	100%
Mediahelden GmbH d/b/a Passcreator	Germany	Euros	100%

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company’s share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

The Company’s functional currency is Canadian Dollar and the functional currencies of its subsidiaries are outlined above.

#### c) Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation on the consolidated statements of financial position and comprehensive loss.



## **Fobi AI Inc. (formerly Loop Insights Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

---

### **3. Significant Accounting Policies**

#### **a) Significant Accounting Estimates and Judgments**

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Inputs used in the accounting for share-based payments expense in the condensed consolidated interim statements of comprehensive loss:* Management uses the Black-Scholes Pricing Model for valuation of share-based payments, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

*Inputs used in the accounting for warrants in share capital and equity reserves:* Management uses the Black-Scholes Pricing Model for valuation of warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

##### *Critical accounting judgments*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Going concern:* The condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

*Determination of provisions for income taxes and the recognition of deferred income taxes:* In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

## **Fobi AI Inc. (formerly Loop Insights Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

---

### **3. Significant Accounting Policies (continued)**

#### **a) Significant Accounting Estimates and Judgments (continued)**

*Determination of impairment of non-financial assets:* Non-financial assets include property, plant and equipment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model using assumptions about future expected cash flows discounted at the company's cost of capital.

*Determination of the lease period in the calculation of a lease obligation:* When determining the length of the period of time over which lease payments are expected to be paid in the calculation of a lease obligation, the Company must determine whether to use the contractual lease term or the contractual lease term plus the optional renewal period of the lease. In determining the period, the Company considers the likelihood that the lease will be renewed based on expected lease rates in the future as well as the estimated costs of improvements that would be required to be made to a new property in the event the lease is not renewed.

#### **b) Accounting Pronouncements Not Yet Adopted**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. The Company did not identify any standards that may have any impact on the Company's condensed consolidated interim financial statements during the period.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 4. Business Combination

On April 16, 2021, the Company acquired 100% control over Mediaheldon GmbH, d/b/a Passcreator (“Passcreator”). Based in Germany, Passcreator is a European digital wallet and mobile marketing company.

In consideration for the acquisition of Passcreator, the Company paid US\$123,000 in cash and issued 1,301,425 common shares of the Company.

The Company acquired all the issued and outstanding common shares of Passcreator. As the Company is the sole owner of all the common shares and has certain provisions, including the ability to elect the majority of the directors, in accordance with IFRS 10, the Company has control over Passcreator.

The investment in Passcreator has been accounted for as a business combination. In accordance with IFRS 3 “Business Combinations”, the assets acquired, and liabilities assumed are measured at their fair value at the acquisition date and the excess value of the consideration above the fair value of the net assets acquired is recognized as goodwill.

The acquisition was recorded as follows:

Fair value of consideration		
Cash	\$	154,001
Common shares issued		1,952,138
	\$	2,106,139
Net assets acquired		
Customer relationships	\$	329,870
Developed technology		209,917
Trade name		359,858
Non-compete		5,998
Goodwill		1,320,468
Deferred income taxes		(271,693)
Equipment		14,076
Other current assets		137,645
	\$	2,106,139

The goodwill recorded upon acquisition of Passcreator represents the sales and growth potential of Passcreator and will not be deductible for tax purposes. Had the Company acquired Passcreator on July 1, 2020, management estimates that there would be no significant impact on the reported revenues and net income(loss).

During the three months ended September 30, 2021, the Company recorded amortization expense of \$38,600 (2020 – Nil) in connection with the customer relationships, developed technology and non-complete intangible assets.

### 5. Accounts Receivable

Accounts receivables consists primarily of GST receivable and amounts due from customers-

	September 30, 2021		June 30, 2021	
	(Unaudited)		(Audited)	
GST/VAT receivable	\$	790,538	\$	761,201
Trade accounts receivable		418,495		83,301
	\$	1,209,033	\$	844,502

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 6. Equipment

		<b>Equipment</b>
<b>Cost</b>		
Balance, June 30, 2021	\$	155,199
Foreign exchange change to beginning balance		96
Additions		14,269
<b>Balance, September 30, 2021</b>	<b>\$</b>	<b>169,564</b>
<b>Accumulated amortization</b>		
Balance, June 30, 2021	\$	33,137
Foreign exchange change to beginning balance		13
Amortization		15,376
<b>Balance, September 30, 2021</b>	<b>\$</b>	<b>48,526</b>
<b>Net book value</b>		
As at June 30, 2021	\$	122,062
<b>As at September 30, 2021</b>	<b>\$</b>	<b>121,038</b>

### 7. Intellectual Property

On February 18, 2021, the Company entered into an Intellectual Property Purchase Agreement with Digital2Go Medial Networks, Inc. dba Locally (“Locally”) to acquire its software solutions, whereby the Company issued 166,250 common shares at a fair value of \$199,500 to Locally.

Management recorded the total consideration of \$199,500 as intellectual property on the Condensed Consolidated Interim Statements of Financial Position. The cost will be amortized over the estimated useful life of three years on straight-line basis. The total amortization as at September 30, 2021 amounts to \$44,333 (June 30, 2021 - \$27,708).

### 8. Related Party Transactions and Balances

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the period ended September 30, 2021. Short-term key management compensation consists of the following:

	<b>Period ended</b>		<b>Period ended</b>	
	<b>September 30, 2021</b>		<b>September 30, 2020</b>	
Salaries, wages and professional fees	\$	240,894	\$	181,100
Share-based payments		300,132		58,692
	<b>\$</b>	<b>541,026</b>	<b>\$</b>	<b>239,792</b>

As at September 30, 2021, the Company owed \$11,300 (June 30, 2021- \$nil) to a company controlled by a director.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 9. Lease Liabilities

	September 30, 2021	June 30, 2021
Balance, beginning of period	\$ 39,130	\$ 33,270
Leases recognized during the period	-	31,793
Finance cost	1,599	3,009
Payments	(6,230)	(28,942)
	<b>\$ 34,499</b>	<b>\$ 39,130</b>
Current lease liabilities	14,766	16,912
Non-current lease liabilities	19,733	22,218

### 10. Share Capital

#### *Authorized share capital*

Unlimited number of common shares without par value.

#### *Issued share capital*

As at September 30, 2021, the Company had 142,165,513 (June 30, 2021 – 134,862,263) issued and fully paid common shares of which nil (June 30, 2021 - 5,055,000) are held in escrow subject to a four-month holding period.

During the period ended September 30, 2021:

- (a) The Company issued 5,275,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$1,191,250. Contributed surplus of \$588,083 was reversed and included in the share capital.
- (b) The Company issued 2,028,250 common shares pursuant to the exercise of stock options for total proceeds of \$975,937. Contributed surplus in the amount of \$1,016,455 was reversed and included in the share capital.

During the year ended June 30, 2021:

- (a) On July 20, 2020, the Company completed a non-brokered private placement of 5,686,904 units at \$0.105 per unit for proceeds of \$597,125. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.25 per share for a period of two years from the date of issuance.
- (b) On June 30, 2021, the Company completed a brokered private placement for 5,935,000 units at \$1.25 per unit for proceeds of \$7,418,750. Each unit consisted of one common share and one-half of purchase warrant exercisable at \$1.60 per share for a period of two years from the date of issuance. In connection with this private placement, the Company incurred share issuance costs of \$591,718, consisting of \$433,469 in finders' fees and \$158,249 in legal and other fees.

In connection with the private placement, the Company also issued 343,025 non-transferable broker warrants to purchase compensation units each at a price of \$1.25. Each compensation unit consists one fully assessed common share in the capital of the company and one-half warrant. Each full warrant entitles the holder to acquire one common share until June 30, 2023 at a price of \$1.60 per share. The fair value of the share purchase warrants was determined to be \$340,707, calculated using Black-Scholes option pricing model under the following assumptions: exercise price- \$1.60; price on grant date- \$0.60; risk-free interest rate- 0.98%; dividend yield- 0%; expected volatility- 227%; and expected life of one to two years.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 10. Share Capital (continued)

#### *Issued share capital (continued)*

- (c) On July 31, 2020, the Company issued 1,200,000 common shares to settle an arm's length obligation of \$402,000.
- (d) On January 11, 2021, \$360,000 of convertible debentures were converted to 239,999 common shares at a price of \$1.50 per common share (Note 12).
- (e) On February 17, 2021, the Company completed the acquisition of the intellectual property assets of Digital2Go Medial Networks, Inc, pursuant to which, the Company issued 166,250 common shares (Note 9).
- (f) In connection with the acquisition of Passcreator (Note 4), the Company issued 1,301,425 common shares, at a fair value of \$1,952,138.
- (g) During the period ended June 30, 2021, the Company issued 1,000 shares for services provided with a fair market value of \$250.
- (h) The Company issued 24,929,226 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$6,077,912. Contributed surplus of \$410,085 was reversed upon exercising the warrants.
- (i) The Company issued 4,019,250 common shares pursuant to the exercise of stock options for total proceeds of \$1,310,328. Contributed surplus in the amount of \$1,028,350 was reversed and included in the share capital.

### 11. Stock Options

During the period ended September 30, 2021, the Company granted a total of 1,245,000 stock options. The total grant date fair value of the stock options was determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value.

The following table summarizes the continuity of the Company's stock options:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, June 30, 2020	6,869,000	0.49
Granted	300,000	0.11
Exercised	(776,250)	0.19
Cancelled	(200,000)	0.43
<b>Outstanding, September 30, 2020</b>	<b>6,192,750</b>	<b>0.36</b>
Outstanding, June 30, 2021	14,119,750	0.61
Granted	1,245,000	1.20
Exercised	(2,028,250)	0.48
Cancelled	(868,750)	1.12
<b>Outstanding, September 30, 2021</b>	<b>12,467,750</b>	<b>0.64</b>
<b>Exercisable, September 30, 2021</b>	<b>9,600,250</b>	<b>0.51</b>

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 11. Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the period ended September 30, 2021, the Company recognized share-based compensation expense of \$2,619,361 (September 30, 2021 - \$58,692), of which \$300,132 (September 30, 2020 - \$58,692) pertains to directors and officers of the Company. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	September 30, 2021	September 30, 2020
Exercise price	\$0.66	\$0.11
Risk-free interest rate	0.54%	0.33%
Dividend yield	0.00%	0.00%
Expected volatility	160%	120%
Expected life (years)	5.00	0.21

Additional information regarding options outstanding as at September 30, 2021, is as follows:

Exercise prices (in CAD)	Stock options outstanding		Stock options exercisable	
	Number of stock options outstanding	Weighted average years to expiry	Number of stock options outstanding	Weighted average years to expiry
\$0.10 - \$0.99	8,364,000	2.71	7,801,500	2.62
\$1.00 - \$1.99	4,003,750	3.66	1,798,750	3.61
	12,367,750	3.02	9,600,250	2.80

### 12. Warrants

The following table summarizes the continuity of the Company's warrants:

	Number of warrants	Weighted average exercise price
Outstanding, June 30, 2020	34,183,733	\$ 0.28
Issued	5,686,904	0.25
Exercised	(8,801,900)	0.14
Expired	(1,429,335)	1.97
<b>Outstanding, September 30, 2020</b>	<b>29,639,402</b>	<b>\$ 0.42</b>
Outstanding, June 30, 2021	13,692,795	\$ 0.55
Exercised	(5,275,000)	0.23
<b>Outstanding, September 30, 2021</b>	<b>8,417,795</b>	<b>\$ 0.75</b>

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 12. Warrants (continued)

Additional information regarding warrants outstanding as at September 30, 2021, is as follows:

<b>Exercise price</b>	<b>Warrants outstanding</b>	<b>Weighted average remaining contracted life (years)</b>
\$0.15	3,661,260	
\$0.35	1,446,000	
\$1.60	3,310,035	
	<b>8,417,295</b>	<b>1.13</b>

### 13. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital and share-based payment reserve.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

### 14. Financial Instruments

The Company's financial instruments are comprised of cash, accounts payable, convertible debentures, due to related parties and loans payable. The carrying value of cash and cash equivalents as presented in the statement of financial position is a reasonable estimate of its fair value.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

#### *Level 1 - Quoted Prices in Active Markets for Identical Assets*

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash and cash equivalents are valued using quoted market prices in active markets. Accordingly, it is included in Level 1 of the fair value hierarchy.

#### *Level 2 - Significant Other Observable Inputs*

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. There are no items in Level 2 of the fair value hierarchy.



## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 14. Financial Instruments (continued)

#### *Level 3 - Significant Unobservable Inputs*

Unobservable (supported by little or no market activity) prices.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	September 30, 2021
Cash and cash equivalents	\$ 8,266,234	\$ -	\$ -	\$ 8,266,234

There were no transfers between Levels 1, 2, or 3 in these condensed consolidated interim financial statements.

Except as described in the following paragraphs, in management's opinion, the Company is not exposed to financial instrument risks including credit risk, foreign exchange rate risk or interest rate risk.

The Company will be exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, interest rate risk, liquidity risk, credit risk and foreign currency risk. These risks and related risk management practices employed by the Company are discussed below:

#### (a) Market risk

The Company's equities are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at September 30, 2021, the Company does not have any investments susceptible to market price risk.

#### (b) Interest rate risk

Interest rate risk refers to the effect on the fair value of the Company's assets and liabilities due to fluctuations in interest rates.

As at September 31, 2021 and 2020, the Company does not have investments in any variable interest bearing securities and therefore is not subject to interest rate risk.

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at September 30, 2021, the Company does not have significant exposure to liquidity risk.

#### (d) Currency risk

As at September 30, 2021 and 2020, the Company does not have any significant assets or liabilities held in currencies other than the cash of €126,304, trade receivable of €52,919, and accounts payables balance of €8,275. As a result, a fluctuation in the CAD-USD or CAD-EUR foreign exchange rate would not have a significant impact on the financial position of the Company.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 15. Commitments and Contingencies

- (a) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.
- (b) The Company has entered into employment agreements with its COO and CEO wherein the Company has agreed to pay annual salaries to these individuals. Should the employment of these individuals be terminated for any reason other than for-cause termination or resignation, the individuals will be eligible for compensation equivalent to an aggregate of one year's salary and any performance bonus equivalent to one-half of any of the average of the two highest performance bonuses paid in the previous five fiscal years.
- (c) From time to time, the Company enters into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice.

### 16. Segmented Information

The Company operates in one operating segment, being the technology segment wherein the Company earns revenues from directly selling software as a service, reselling, referring and licensing its technology to licensors. The Company's operations and non-current assets in different geographical segments are as follows:

<b>Geographical Segments</b>	<b>North America</b>	<b>Europe</b>	<b>Total</b>
Non-current assets other than financial instruments			
Balance, September 30, 2021	\$ 298,009	\$ 2,166,828	\$ 2,464,837
Balance, June 30, 2021	319,579	2,206,411	2,525,990
Period ended September 30, 2021			
Revenues	319,944	260,373	580,317
Net Income (loss)	(4,857,330)	37,826	(4,819,505)
Period ended September 30, 2020			
Revenues	-	-	-
Net loss	\$ (1,013,792)	-	\$ (1,013,792)

## **Fobi AI Inc. (formerly Loop Insights Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

---

### **17. Subsequent Events**

- (a) On October 13, 2021, the Company acquired certain assets and assumed certain liabilities related to the Qples application from Qples Inc. In consideration, the Company paid USD \$2,120 in cash and issued 1,222,551 common shares of the Company. The Company has also committed to provide certain future consideration to the sellers, contingent upon achieving certain milestones. The Company has not yet completed its assessment of the accounting treatment pertaining to this transaction.
- (b) On November 8, 2021, the Company completed its acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH (the “Transaction”). In consideration, the Company paid €355,200 in cash and issued 301,480 common shares of the Company at a deemed price of Cn\$2.63660 valued at Cn\$794,882 or €532,800, calculated by using the ten-day volume weighted average price of the Company’s common shares on TSXV for the period ended five days prior to the date of closing of the Transaction. Any common shares of the Company issued in connection with the Transaction will be subject to a four-month hold period. The Company has not yet completed its assessment of the accounting treatment pertaining to this transaction.
- (c) The Company issued 206,750 common shares pursuant to the exercise of stock options.