



FOBI AI INC.
(Formerly Loop Insights Inc.)

Condensed Consolidated Interim Financial Statements

Six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

Notice of no Auditor Review 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 consolidated 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	December 31, 2021	June 30, 2021
ASSETS			
Current assets			
Cash and cash equivalents		4,805,694	\$ 7,501,753
Accounts receivable	4	1,861,768	844,502
Prepaid		342,015	328,565
Inventory		56,992	-
Loans receivable		433,298	288,438
		7,499,768	8,963,258
Non-current assets			
Loan receivable		-	193,096
Equipment		134,171	122,062
Intellectual property		5,381,637	171,792
Right-to-use asset	6	27,865	37,672
Intangible assets	5	796,796	873,996
Goodwill	5	1,320,468	1,320,468
TOTAL ASSETS		15,160,705	\$ 11,682,344
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		1,096,969	\$ 538,938
Current portion of lease liabilities	6	12,524	16,912
Deferred revenue		58,585	108,488
Loans Payable		-	20,000
		1,168,078	684,338
Deferred income taxes	4	271,693	271,693
Contingent liability		577,260	
Non-current portion of lease liability	6	17,134	22,218
TOTAL LIABILITIES		2,034,165	978,249
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	8	50,333,993	42,363,480
Subscription receivable		(130,568)	(130,568)
Contributed surplus		11,449,836	7,562,494
Deficit		(48,535,478)	(39,091,291)
Accumulated other comprehensive gain (loss)		8,756	(20)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		13,126,540	10,704,095
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,160,705	\$ 11,682,344

of operations and continuance of business (Note 1)

Commitments and contingencies (Note 16)

Subsequent events (Note 17)

Approved and authorized for issuance on behalf of the Board of Directors on March 01, 2022:

/s/ "Robert Douglas Anson"

Robert Douglas Anson, Director

/s/ "Peter Green"

Peter Green, 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 Financial Position
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Notes	Three months ended December 31, 2021	Three months ended December 31, 2020	Six months ended December 31, 2021	Six Months ended December 31, 2020
Revenue		\$ 922,823	\$ -	\$ 1,503,140	\$ -
Operating Expenses					
Advertising and marketing		\$ 51,432	\$ 270,148	\$ 221,918	\$ 378,190
Cost of services sold		294,341	-	385,386	-
Consulting fees		352,646	332,165	707,170	544,475
Amortization	5,6	87,927	16,322	124,838	32,905
Insurance		2,369	-	10,827	-
Interest and accretion expense		1,848	24,695	3,447	38,802
Investor relations		79,846	-	111,127	-
License and distribution fees		118,003	17,530	245,614	22,558
Office and general		72,312	87,320	217,668	101,134
Professional fees		156,367	58,477	235,500	169,879
Rent		2,838	16,698	28,993	20,060
Research and development		20,851	76,267	36,039	139,242
Share-based compensation	8	2,872,519	2,760,619	5,491,880	2,819,311
Transfer agent and filing fees		34,949	18,834	53,743	52,600
Travel		126,400	20,027	170,364	21,969
Other		(2,140)	-	-	-
Wages and benefits	7	1,695,582	490,287	2,933,507	862,056
Loss before other items		\$ (5,045,265)	\$ (4,189,389)	\$ (9,474,880)	\$ (5,203,181)
Other items					
Other income		\$ -	\$ -	\$ -	\$ -
Interest income		-	-	20,000	-
Foreign exchange gain		(5,531)	-	2,368	-
Net Loss		\$ (5,050,797)	\$ (4,189,389)	\$ (9,444,187)	\$ (5,203,181)
Accumulated other comprehensive gain (loss)		(8,210)	(8,210)	(8,776)	(8,776)
Comprehensive Loss		\$ (5,059,006)	\$ (4,189,389)	\$ (9,452,963)	\$ (5,203,181)
Comprehensive loss per share, basic and diluted		\$ (0.04)	\$ (0.04)	\$ (0.07)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding		141,952,875	112,438,580	138,773,402	106,745,989

Fobi AI Inc. (formerly Loop Insights Inc.)
Condensed Consolidated Interim Statement 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
Balance, June 30, 2020	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
Issuance of common shares for obligation	1,200,000	402,000					402,000
Warrants exercised	21,626,976	4,341,144		(377,359)			3,963,785
Stock options exercised	3,251,250	1,165,410		(219,970)			945,440
Share forservice	1,000	200					
Subscription received			17,642				17,642
Share-based compensation				2,819,311			2,819,311
Net loss for the year						(5,203,181)	(5,203,181)
Balance, December 31, 2020	123,149,339	\$ 29,970,316	\$ (122,358)	\$ 5,680,773	\$ -	\$ (33,197,889)	\$ 2,330,842
Balance, June 30, 2021	134,862,263	\$ 42,363,480	\$ (130,568)	\$ 7,562,494	\$ (20)	\$ (39,091,291)	\$ 10,704,095
Issuance of common shares for acquisition of intellectual property	1,524,031	4,112,513					4,112,513
Warrants exercised	5,762,250	1,779,333		(588,083)			1,191,250
Stock options exercised	2,068,750	2,078,667		(1,016,455)			1,062,212
Share-based compensation				5,491,880			5,491,880
Accumulated other comprehensive loss					8,776		8,776
Net loss for the year						(9,444,187)	(9,444,187)
Balance, December 31, 2021	144,217,294	\$ 50,333,993	\$ (130,568)	\$ 11,449,836	\$ 8,756	\$ (48,535,478)	\$ 13,126,540

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

Fobi AI Inc. (formerly Loop Insights Inc.)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020
		\$
OPERATING ACTIVITIES		
Net loss for the period	(9,444,187)	(5,136,181)
Items not affecting cash:		
Depreciation	102,389	32,905
Interest and accretion expense	2,987	48,541
Share-based compensation	5,491,880	2,819,311
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	558,032	(1,368,149)
Amounts receivable	(1,017,266)	375,982
Due to related parties	-	(150,000)
Prepaid expenses	13,450	121,030
Deferred income	(49,903)	
Cash used in operating activities	(4,446,510)	(3,256,562)
INVESTING ACTIVITIES		
Purchase of property and equipment	(27,491)	-
Purchase of intellectual property	(520,073)	
Cash used by investing activities	(547,564)	-
FINANCING ACTIVITIES		
Shares issued for cash	-	597,125
Exercise of option	1,062,212	945,438
Exercise of warrants	1,191,250	3,963,787
Share for Service	-	200
Loan advances	(48,236)	-
Lease repayment	(12,459)	(22,145)
Subscriptions received	-	17,643
Cash provided by financing activities	2,289,239	5,502,048
CHANGE IN CASH	2,696,059	2,245,486
CASH, BEGINNING OF THE PERIOD	7,501,573	174,252
CASH, END OF THE PERIOD	4,805,694	2,419,738

SUPPLEMENTAL CASH DISCLOSURES

Cash paid for Interest	-	-
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See Note 11(d)

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

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 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 \$48,535,478 as at December 31, 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 December 31, 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 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 six months ended December 31, 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:

Subsidiaries	Country of incorporation	Functional currency	Percentage of ownership
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.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 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 six months ended December 31, 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.

4. Amounts Receivable

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

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	\$	\$
GST/VAT receivable	675,596	761,201
Trade accounts receivable	1,186,768	83,301
	1,861,768	844,502

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

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5. Intellectual Property

- (a) 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 December 31, 2021 amounts to \$44,333 (June 30, 2021 - \$27,708). Also Add Pass wallet and Qples
- (b) 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 recorded a contingent liability for the estimated the fair value in the amount of \$577,260.
- (c) On November 8, 2021, the Company completed its acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH. In consideration, the Company paid \$511,153 in cash and issued 301,480 common shares of the Company at fair market value of \$542,664.

6. Lease Liabilities

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	\$	\$
Balance, beginning of period	39,130	33,270
Recognized at adoption of IFRS 16	-	-
Leases recognized during the year		31,793
Finance cost	2,987	3,009
Payments	(12,459)	(28,942)
	29,658	39,130
Current lease liabilities	12,524	16,912
Non-current lease liabilities	17,134	22,218

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

7. 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 December 31, 2021. Short-term key management compensation consists of the following

	Period ended December 31, 2021	Period ended December 31, 2020
Salaries, wages and professional fees	\$ 497,655	\$ 922,335
Share-based payments	3,222,999	1,578,990
	\$ 3,720,654	\$ 2,501,325

8. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

As at December 31, 2021, the Company had 1,444,217,294 (June 30, 2021 – 134,862,263) issued and fully paid common shares of which 1,524,031 (June 30, 2021 - 5,055,000) are held in escrow subject to a four-month holding period.

During the six-month period ended December 31, 2021:

- (a) The Company issued 5,762,250 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 2,068,750 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.

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

8. Share Capital (continued)

Issued share capital (continued)

(b)

- (c) 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.

- (d) On July 31, 2020, the Company issued 1,200,000 common shares to settle an arm's length obligation of \$402,000.
- (e) 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).
- (f) 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).
- (g) 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.
- (h) During the period ended June 30, 2021, the Company issued 1,000 shares for services provided with a fair market value of \$250.
- (i) 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.
- (j) 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.
- (k))

In connection with the private placements completed during the year ended June 30, 2020, the Company incurred \$193,386 in share issuance costs paid in cash. The Company also issued 1,367,513 share purchase warrants to finders which are exercisable at prices ranging from \$0.15 to \$0.35 per share for a period of one to three years from the date of issuance. The fair value of the share purchase warrants was determined to be \$145,139, calculated using the Black-Scholes option pricing model under the following assumptions: exercise price - \$0.22; price on grant date – \$0.20; risk-free interest rate – 0.76%; dividend yield – 0%; expected volatility – 150%; and expected life – one to three years.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Share Capital (continued)**(I) Stock Options**

During the period ended December 31, 2021, the Company granted a total of 5,973,750 stock options. The total grant date fair value of the stock options was determined to be \$2,819,311 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:

	Number of options	Weighted average exercise price
		\$
Outstanding, June 30, 2020	6,869,000	0.49
Granted	5,973,750	0.32
Exercised	(3,251,250)	0.29
Cancelled	(200,000)	0.43
Outstanding, December 31, 2020	9,391,500	0.39
Outstanding, June 30, 2021	14,119,750	0.55
Granted	3,545,000	1.16
Exercised	(2,068,750)	0.38
Cancelled	(841,000)	1.12
Outstanding, December 31, 2021	14,755,000	0.35
Exercisable, December 31, 2020	12,687,500	0.39

Additional information regarding stock options outstanding as at December 31, 2021, is as follows:

Exercise price	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$			
\$0.10-0.99	8,160,500	8,160,500	2.63
\$1.001.99	6,594,500	2,435,000	4.67
	14,755,000	10,595,500	3.70

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For the six months ended December 31, 2021

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(Unaudited – Prepared by Management)

l) Stock Options (continued)

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the period ended December 31, 2020, the Company recognized share-based compensation expense of \$1,976,740 (December 31, 2020 - \$2,819,311) in share-based payment reserve, of which \$924,465 (December 31, 2019 - \$15,173) pertains to directors and officers of the Company. The weighted average fair value of each option granted during the period ended December 31, 2020, was \$0.86 per option. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	December 31, 2020	December 31, 2021
Exercise price	\$1.15	\$0.31
Risk-free interest rate	1.38%	1.38%
Dividend yield	0%	0%
Expected volatility	156%	150%
Expected life (years)	5.00	4.68

m) 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	(21,626,976)	(0.17)
Expired	(1,962,669)	(2.00)
Outstanding, December 31, 2020	16,280,992	0.54
Outstanding, June 30, 2021	13,692,795	0.55
Exercised	(7,035,000)	
Outstanding, December 31, 2021	6,657,292	0.82

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Additional information regarding warrants outstanding as at December 31, 2020, is as follows:

Exercise price	Warrants Outstanding	Weighted average remaining contracted life (years)
\$		
0.15	2,101,260	
0.25	1,246,000	
0.35	1,246,000	
1.25	343,035	
1.60	2,967,000	
	13,692,295	0.54

9. 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 period ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

10. 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 is 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.

Level 3 - Significant Unobservable Inputs

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

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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	December 31, 2021
	\$	\$	\$	\$
Cash	4,805,694	-	-	4,805,694

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 December 31, 2020, 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 December 31, 2020 and 2019, 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 December 31, 2020, the Company does not have significant exposure to liquidity risk.

(d) Currency risk

As at December 31, 2020 and 2019, the Company does not have any significant assets held in currencies other than the USD cash of \$46. As a result, a fluctuation in the CAD-USD foreign exchange rate would not have a significant impact on the financial position of the Company.

11. Commitments and Contingencies

1. 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.
2. 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

Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

the average of the two highest performance bonuses paid in the previous five fiscal years.

3. 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.

12. Subsequent Events

On January 13, 2022 the Company announced a definitive agreement to acquire 100% of the outstanding shares of Passworks S.A., for consideration of €400,000 payable by the issuance of Fobi shares based to be valued using a volume weighted average ("VWAP") for the ten TSXV trading day period ending five TSXV trading days preceding the closing date, which has yet to be determined.

Additional consideration for the Passworks shares would be payable in the event the gross revenue of the target defined as (i) sales originating from existing clients of the target at Closing; and/or (ii) new clients originating as a result of the vendor's efforts for the period from the closing date until the 12 month anniversary of the closing date meets or exceeds €200,000, in which case Fobi will pay to a further €100,000. The additional consideration will be payable in common shares.

The consideration shares shall be escrowed in accordance with the following release schedule: 20% of on the closing, 20% of the on the three-month anniversary, 30% of on the six-month anniversary 30% of on the nine-month anniversary.

On the closing date, the Company has agreed to lend to the vendor the €230,000, in cash, for the Vendor to use for the sole purpose of acquiring full interest and title to the target Shares, on or before the closing date.

- (a) The Company issued 206,750 common shares pursuant to the exercise of stock options.