

REFINITIV

# DELTA REPORT

## 10-Q

LOOP - LOOP INDUSTRIES, INC.

10-Q - MAY 31, 2024 COMPARED TO 10-Q - NOVEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 3053

<span style="color: yellow;">█</span>	CHANGES	139
<span style="color: pink;">█</span>	DELETIONS	578
<span style="color: green;">█</span>	ADDITIONS	2336

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2023 May 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **001-38301**

**000-54768** 

### Loop Industries, Inc.

(Exact name of Registrant as specified in its charter)

Nevada

27-2094706

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

480 Fernand-Poitras Terrebonne, Québec, Canada J6Y 1Y4

(Address of principal executive offices zip code)

Registrant's telephone number, including area code (450) 951-8555

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>

Common Stock stock, par value \$0.0001 per share	LOOP	The Nasdaq Global Stock Market LLC
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As at January 15, 2024 July 12, 2024, there were 47,528,908 47,538,745 shares of the Registrant's common stock, par value \$0.0001 per share, outstanding.

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## LOOP INDUSTRIES, INC.

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### **PART I. FINANCIAL INFORMATION**

#### **ITEM 1. FINANCIAL STATEMENTS**

**Loop Industries, Inc.**

**Three months ended May 31, 2024**

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**PART I. FINANCIAL INFORMATION Loop Industries, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

**ITEM 1. FINANCIAL STATEMENTS**

<i>(in thousands of U.S. dollars, except per share data)</i>	<b>As at</b>	
	<b>May 31, 2024</b>	<b>February 29, 2024</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 5,291	\$ 6,958
Sales tax, tax credits and other receivables (Note 3)	242	351
Inventories (Note 4)	99	102
Prepaid expenses and other deposits (Note 5)	525	577
Total current assets	<u>6,157</u>	7,988
Investment in joint venture	381	381
Property, plant and equipment, net (Note 6)	10,533	10,636
Intangible assets, net (Note 7)	1,671	1,548
Total assets	<u><u>\$ 18,742</u></u>	<u><u>\$ 20,553</u></u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 2,891	\$ 2,321
Current portion of long-term debt (Note 10)	244	100
Total current liabilities	<u>3,135</u>	2,421
Due to customer	784	770
Long-term debt (Note 10)	5,555	3,220
Total liabilities	<u><u>9,474</u></u>	<u><u>6,411</u></u>
<b>Stockholders' Equity</b>		
Series A Preferred stock par value \$0.0001; 25,000,000 shares authorized; one share issued and outstanding	-	-
Common stock par value \$0.0001; 250,000,000 shares authorized; 47,538,745 shares issued and outstanding (February 29, 2024 – 47,528,908) (Note 11)	5	5
Additional paid-in capital	172,162	171,792

Additional paid-in capital – Warrants	20,385	20,385
Accumulated deficit	(182,159)	(176,970)
Accumulated other comprehensive loss	(1,125)	(1,070)
Total stockholders' equity	9,268	14,142
Total liabilities and stockholders' equity	\$ 18,742	\$ 20,553

Going Concern (Note 1)

**Loop Industries, Inc.**

**Three and Nine months ended November 30, 2023**

**Index** See accompanying notes to the **Unaudited Interim Condensed Consolidated Financial Statements** condensed consolidated financial statements.

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**Loop Industries, Inc.**

**Condensed Consolidated Balance Sheets** **Statements of Operations and Comprehensive Loss**  
(Unaudited)

(in thousands of U.S. dollars, except per share data)	As at	
	November	February 28,
30,	2023	2023

**Assets**

## Current assets

Cash and cash equivalents	\$ 9,366	\$ 29,591
Restricted cash	1,000	1,000
Sales tax, tax credits and other receivables (Note 3)	411	1,075
Inventories (Note 4)	937	727
Deposits on equipment (Note 5)	8,460	3,395
Prepaid expenses and other deposits (Note 5)	470	636
Total current assets	20,644	36,424
Investment in joint venture	381	381
Property, plant and equipment, net (Note 6)	2,267	2,545
Intangible assets, net (Note 7)	1,485	1,210
Total assets	\$ 24,777	\$ 40,560

**Liabilities and Stockholders' Equity**

## Current liabilities

Accounts payable and accrued liabilities (Note 9)	\$ 1,560	\$ 2,510
Customer deposits	1,000	1,012
Current portion of long-term debt (Note 10)	501	62
Total current liabilities	3,061	3,584
Long-term debt (Note 10)	2,814	3,240
Total liabilities	5,875	6,824

**Stockholders' Equity**

Series A Preferred stock par value \$0.0001; 25,000,000 shares authorized; one share issued and outstanding	-	-
Common stock par value \$0.0001; 250,000,000 shares authorized; 47,528,908 shares issued and outstanding (February 28, 2023 – 47,469,224) (Note 12)	5	5
Additional paid-in capital	171,510	170,370
Additional paid-in capital – Warrants	20,385	20,385
Accumulated deficit	(171,878)	(155,883)
Accumulated other comprehensive loss	(1,120)	(1,141)
Total stockholders' equity	18,902	33,736
Total liabilities and stockholders' equity	\$ 24,777	\$ 40,560

## Commitments (Note 18)

Subsequent event (Note 19)

<i>(in thousands of U.S. dollars, except per share data)</i>	<b>Three Months Ended</b>	
	<b>May 31, 2024</b>	<b>May 31, 2023</b>
	<b>\$</b>	<b>6</b>
Revenue from contracts with customers	\$	6
Expenses :		
Research and development (Note 12)	2,237	4,490
General and administrative (Note 13)	2,911	2,465
Depreciation and amortization (Notes 6 and 7)	137	133
Total expenses	<u>5,285</u>	7,088
Other (income) loss :		
Interest and other financial expenses	60	54
Interest income	(126)	(99)
Foreign exchange gain	(24)	(15)
Total other income	<u>(90)</u>	(60)
Net loss	<u>(5,189)</u>	(7,001)
Other comprehensive (loss) income -		
Foreign currency translation adjustment	(55)	20
Comprehensive loss	<u>\$ (5,244)</u>	<u>\$ (6,981)</u>
Net loss per share		
Basic and diluted	\$ (0.11)	\$ (0.15)
Weighted average common shares outstanding		
Basic and diluted	47,535,413	47,516,104
Going Concern (Note 1)		

*See accompanying notes to the condensed consolidated financial statements.*

**Loop Industries, Inc.**

**Condensed Consolidated Statements of Operations and Comprehensive Loss**

**Condensed Consolidated Statement of Changes in Stockholders' Equity**

**(Unaudited)**

*(in thousands of U.S. dollars, except per share data)*

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November</b>	<b>November</b>	<b>November</b>	<b>November</b>
	<b>30, 2023</b>	<b>30, 2022</b>	<b>30, 2023</b>	<b>30, 2022</b>
Revenue from contracts with customers	\$ 26	\$ 25	\$ 108	\$ 160
Expenses :				
Research and development (Note 13)	1,833	4,582	8,361	15,133
General and administrative (Note 14)	2,458	3,183	7,767	18,230
Depreciation and amortization (Notes 6 and 7)	131	134	400	411
Total expenses	4,422	7,899	16,528	33,774
Other (income) loss :				
Gain on disposition of assets (Note 6)	-	(6,704)	-	(6,704)
Interest and other financial expenses	42	54	140	139
Interest income	(166)	(13)	(484)	(36)
Foreign exchange gain	(28)	(198)	(81)	(289)
Total other (income) loss	(152)	(6,861)	(425)	(6,890)
Net loss	(4,244)	(1,013)	(15,995)	(26,724)
Other comprehensive income (loss) -				
Foreign currency translation adjustment	(83)	(440)	21	(857)
Comprehensive loss	\$ (4,327)	\$ (1,453)	\$ (15,974)	\$ (27,581)
Net loss per share				
Basic and diluted	\$ (0.09)	\$ (0.02)	\$ (0.34)	\$ (0.56)
Weighted average common shares outstanding				
Basic and diluted	47,523,817	47,416,340	47,520,356	47,405,801

(in  
thousands  
of U.S.  
dollars,  
except for  
share  
data)

Three months ended May 31, 2024

	Accumulated							
	Common stock		Preferred stock		Additional		Other	
	par value \$0.0001	par value \$0.0001	Additional	Paid-in			Comprehensive	Total
	Number							
	Number of	of	Paid-in	Capital	Capital	Accumulated	Income	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Warrants	Deficit	Equity
Balance, February 29, 2024	47,528,908	\$ 5	1	\$ 171,792	\$ 20,385	\$ (176,970)	\$ (1,070)	\$ 14,142
Issuance of shares upon the vesting of restricted stock units								
(Note 14)	9,837	-	-	-	-	-	-	-
Stock options issued for services								
(Note 14)	-	-	-	-	146	-	-	146
Restricted stock units issued for services								
(Note 14)	-	-	-	-	224	-	-	224
Foreign currency translation	-	-	-	-	-	-	(55)	(55)
Net loss	-	-	-	-	-	(5,189)	-	(5,189)

Balance,									
May 31,									
2024	47,538,745	\$ 5	1	\$ -	\$ 172,162	\$ 20,385	\$ (182,159)	\$ (1,125)	\$ 9,268
Going									
Concern									
(Note 1)									

(in  
thousands  
of U.S.  
dollars,  
except for  
share  
data)

Three months ended May 31, 2023

	Accumulated							
	Common stock		Preferred stock		Additional		Other	
	par value	\$0.0001	par value	\$0.0001	Additional	Paid-in	Comprehensive	Total
	Number							
	Number of	of			Paid-in	Capital -	Accumulated	Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Warrants	Deficit	Income (Loss)
Balance,								
February								
28, 2023	47,469,224	\$ 5	1	\$ -	\$ 170,370	\$ 20,385	\$ (155,883)	\$ (1,141)
Issuance								
of shares								
upon the								
vesting of								
restricted								
stock								
units								
(Note 14)	51,963	-	-	-	-	-	-	-
Stock								
options								
issued for								
services								
(Note 14)	-	-	-	-	162	-	-	162

Restricted stock units issued for services		193				193
Foreign currency translation					20	20
Net loss					(7,001)	(7,001)
Balance, May 31, 2023	47,521,187	\$ 5	1	\$ 170,725	\$ 20,385	\$ (162,884)
Going Concern						
(Note 1)						

See accompanying notes to the condensed consolidated financial statements.

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**Loop Industries, Inc.**  
**Condensed Consolidated Statement of Changes in Stockholders' Equity**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(in thousands of U.S. dollars, except for share data)

**Three months ended November 30, 2023**

Common stock	Preferred stock	Additional		Accumulated	
par value \$0.0001	par value \$0.0001	Additional	Paid-in	Other	Total

	Number								
	Number of		of		Paid-in	Capital -	Accumulated	Comprehensive	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Warrants	Deficit	Income (Loss)	Equity
Balance, August									
31, 2023	47,521,187	\$ 5	1	\$ -	\$ 171,113	\$ 20,385	\$ (167,634)	\$ (1,037)	\$ 22,832
Issuance of shares upon the exercise of stock options									
(Note 15)	7,721		-	-	-	-	-	-	-
Stock options issued for services									
(Note 15)	-	-	-	-	168	-	-	-	168
Restricted stock units issued for services									
(Note 15)	-	-	-	-	229	-	-	-	229
Foreign currency translation					-	-	-	(83)	(83)
Net loss	-	-	-	-	-	-	(4,244)	-	(4,244)
Balance, November									
30, 2023	47,528,908	\$ 5	1	\$ -	\$ 171,510	\$ 20,385	\$ (171,878)	\$ (1,120)	\$ 18,902
<b>Three Months Ended November 30, 2022</b>									
	Series A preferred								
Common stock	stock		Additional		Additional				
par value \$0.0001	par value \$0.0001		Additional	Paid-in		Other		Total	
Number									
Number of	of		Paid-in	Capital -	Accumulated	Comprehensive	Stockholders'		
Shares	Amount	Shares	Amount	Capital	Warrants	Deficit	(Loss)		Equity

Balance, August 31, 2022	47,400,709	\$	5	1	\$	-	\$ 169,301	\$ 20,463	\$ (160,294)	\$ (513)	\$ 28,962
Issuance of shares upon the vesting of restricted stock units											
(Note 15)	38,878		-	-	-	-	-	-	-	-	-
Expiration of warrants											
(Note 17)	-	-	-	-	-	-	-	-	-	-	-
Stock options issued for services											
(Note 15)	-	-	-	-	-	-	551	-	-	-	551
Restricted stock units issued for services											
(Note 15)	-	-	-	-	-	-	323	-	-	-	323
Foreign currency translation	-	-	-	-	-	-	-	-	-	(440)	(440)
Net loss	-	-	-	-	-	-	-	-	(1,013)	-	(1,013)
Balance, November 30, 2022	47,439,587	\$	5	1	\$	-	\$ 170,175	\$ 20,463	\$ (161,307)	\$ (953)	\$ 28,383

	<b>Three Months Ended May 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>(in thousands of U.S. dollars)</b>		

Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization (Notes 6 and 7)	137	133
Stock-based compensation expense (Note 14)	370	355
Accretion expense (Note 10)	28	17
Changes in operating assets and liabilities:		
Sales tax and tax credits receivable (Note 3)	108	(83)
Inventories (Note 4)	3	(144)
Prepaid expenses (Note 5)	51	(90)
Accounts payable and accrued liabilities (Note 9)	577	1,321
Customer deposits	-	(12)
Net cash used in operating activities	(3,915)	(5,504)
<b>Cash Flows from Investing Activities</b>		
Deposits on machinery and equipment	-	(2,023)
Additions to intangible assets (Note 7)	(176)	(99)
Net cash used in investing activities	(176)	(2,122)
<b>Cash Flows from Financing Activities</b>		
Borrowings under credit facility (Note 10)	2,517	-
Repayment of long-term debt (Note 10)	(25)	(16)
Net cash (used) provided by financing activities	2,492	(16)
Effect of exchange rate changes	(68)	21
Net decrease in cash	(1,667)	(7,621)
Cash, cash equivalents and restricted cash, beginning of period	6,958	30,591
Cash, cash equivalents and restricted cash, end of period	\$ 5,291	\$ 22,970
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Income tax paid	\$ -	\$ -
Interest paid	\$ 42	\$ 21
Interest received	\$ 195	\$ 99
Going Concern (Note 1)		

*See accompanying notes to the condensed consolidated financial statements.*

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**Loop Industries, Inc.**  
**Condensed Consolidated Statement of Changes in Stockholders' Equity**  
**(Unaudited)**

(in  
thousands  
of U.S.  
dollars,  
except for  
share  
data)

**Nine Months Ended November 30, 2023**

	Common stock		Preferred stock		Additional			Accumulated			Other	Total		
	par value \$0.0001		par value \$0.0001		Additional	Paid-in								
	Number		Number		Paid-in	Capital –	Accumulated	Comprehensive	Stockholders'	Equity				
	Shares	Amount	Shares	Amount	Capital	Warrants	Deficit	Income (Loss)						
Balance, February 28, 2023	47,469,224	\$ 5	1	\$ -	\$ 170,370	\$ 20,385	\$ (155,883)	\$ (1,141)	\$ 33,736					
Issuance of shares upon the vesting of restricted stock units														
(Note 15)	51,963													
Issuance of shares upon the exercise of stock options														
(Note 15)	7,721													

Stock options issued for services (Note 15)	-	-	-	-	501	-	-	-	501
Restricted stock units issued for services (Note 15)	-	-	-	-	639	-	-	-	639
Foreign currency translation	-	-	-	-	-	-	-	-	21
Net loss	-	-	-	-	-	-	-	(15,995)	-
Balance, November 30, 2023	<u>47,528,908</u>	<u>\$ 5</u>	<u>1</u>	<u>\$ -</u>	<u>\$ 171,510</u>	<u>\$ 20,385</u>	<u>\$ (171,878)</u>	<u>\$ (1,120)</u>	<u>\$ 18,902</u>

Expiration of warrants (Note 17)	-	-	-	-	9,809	(9,809)	-	-	-
Stock options issued for services (Note 15)	-	-	-	-	1,181	-	-	-	1,181
Restricted stock units issued for services (Note 15)	-	-	-	-	8,788	-	-	-	8,788
Foreign currency translation	-	-	-	-	-	-	-	(857)	(857)
Net loss	-	-	-	-	-	-	(26,724)	-	(26,724)
Balance, November 30, 2022	<u>47,439,587</u>	<u>\$ 5</u>	<u>1</u>	<u>\$ -</u>	<u>\$ 170,175</u>	<u>\$ 20,463</u>	<u>\$ (161,307)</u>	<u>\$ (953)</u>	<u>\$ 28,383</u>

*See accompanying notes to the condensed consolidated financial statements.*

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**Loop Industries, Inc.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

<i>(in thousands of U.S. dollars)</i>	<b>Nine Months Ended</b>	
	<b>November 30,</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (15,995)	\$ (26,724)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization (Notes 6 and 7)	400	411
Stock-based compensation expense (Note 15)	1,140	9,969
Gain on disposition of assets (Note 6)	-	(6,704)
Accretion and accrued interest expenses (Note 10)	53	118

Changes in operating assets and liabilities:		
Sales tax and tax credits receivable (Note 3)	670	20
Inventories (Note 4)	(210)	(426)
Prepaid expenses (Note 5)	147	(24)
Accounts payable and accrued liabilities (Note 9)	(955)	(2,652)
Customer deposits	(12)	1,000
Net cash used in operating activities	(14,762)	(25,012)
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposition of assets (Note 6)	-	8,559
Deposits on equipment (Note 5)	(5,065)	(1,271)
Additions to property, plant and equipment (Note 6)	(10)	(68)
Additions to intangible assets (Note 7)	(378)	(225)
Net cash used in investing activities	(5,453)	6,995
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt (Note 10)	(47)	-
Net cash (used) provided by financing activities	(47)	
Effect of exchange rate changes	37	(419)
Net decrease in cash	(20,225)	(18,436)
Cash, cash equivalents and restricted cash, beginning of period	30,591	44,061
Cash, cash equivalents and restricted cash, end of period	\$ 10,366	\$ 25,625

#### Supplemental Disclosure of Cash Flow Information:

Income tax paid	\$	-	\$	-
Interest paid	\$	63	\$	-
Interest received	\$	347	\$	36

*See accompanying notes to the condensed consolidated financial statements.*

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**Loop Industries, Inc.**

**Three Months Ended May 31, 2024 and Nine months Ended November 30, 2023 and 2022 2023**

**Notes to the Condensed Consolidated Financial Statements**

**(Unaudited)**

## 1. The Company, and Basis of Presentation and Going Concern

### The Company

Loop Industries, Inc. (the "Company," "Loop," "we," or "our") is a technology company that owns patented and proprietary technology that depolymerizes no and low-value waste polyethylene terephthalate ("PET") plastic and polyester fiber to its base building blocks (monomers). The monomers are filtered, purified and polymerized to create virgin-quality Loop™ Loop™ branded PET resin suitable for use in food-grade packaging and polyester fiber. The Company is currently in the pre-commercialization stage with limited revenues.

### Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("US GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures included in these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended **February 28, 2023** **February 29, 2024**, filed with the SEC on **May 18, 2023** **May 29, 2024**. The unaudited interim condensed consolidated financial statements comprise the consolidated financial position and results of operations of Loop Industries, Inc. and its subsidiaries, Loop Innovations, LLC and Loop Canada Inc. All subsidiaries are, either directly or indirectly, wholly owned subsidiaries of Loop Industries, Inc. (collectively, the "Company"). The Company also owns, through Loop Innovations, LLC, a 50% interest in a joint venture, Indorama Loop Technologies, LLC, which is accounted for under the equity method.

Intercompany balances and transactions are eliminated on consolidation. The condensed consolidated balance sheet as of **February 28, 2023** **February 29, 2024**, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by US GAAP on an annual reporting basis. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements present fairly the financial position, results of operations, comprehensive loss and cash flows for the interim periods. The results for the **three- and nine-month periods** **three months** ended **November 30, 2023** **May 31, 2024** are not necessarily indicative of the results to be expected for any subsequent quarter, for the fiscal year ending **February 29, 2024** **February 28, 2025**, or for any other period.

The consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the continuing of operations, the realization of assets and the settlement of liabilities in the normal course of business.

All monetary amounts in these notes to the condensed consolidated financial statements are in thousands of U.S. dollars unless otherwise specified, except for per share data.

## 2. Summary of Significant Accounting Policies Going Concern

Liquidity Risk Assessment These unaudited interim condensed consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the

realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the date of issuance of these consolidated financial statements.

Since its inception, the Company has been in the pre-commercialization stage with limited no material revenues from customers, and its ongoing operations and commercialization plans have been financed primarily by raising equity. The equity and debt. Therefore, the Company has incurred net losses and negative cash flow from operating and investing activities since its inception and expects to incur additional net losses while it continues to develop and plan for commercialization. As at November 30, 2023 May 31, 2024, the Company's available liquidity was \$11,943, consisting balance of cash and cash equivalents of \$9,366 and an undrawn senior loan facility from a Canadian bank of \$2,577. was \$5,291.

Management actively continuously monitors the Company's cash resources against the Company's its short-term cash commitments to ensure the Company has there is sufficient liquidity to fund its costs for at least twelve months from the financial statement issuance date. Management evaluates the Company's liquidity to determine if there is substantial doubt about the Company's its ability to continue as a going concern. In preparing this liquidity going concern assessment, management applies significant judgment in estimating future cash flow requirements of the Company based on budgets and forecasts, which includes developing assumptions related to: (i) to the estimation of amount and timing of future cash outflows and inflows and (ii) determining what future expenditures are committed and what could be considered discretionary. inflows. Based on this its assessment, management believes estimates that current available liquidity and forecasted net cash flows will not be sufficient to meet the Company will be able to realize its assets Company's obligations, commitments and discharge its liabilities in budgeted expenditures the normal course of operations as they become due for a period of no less than next twelve months from the date of issuance of these unaudited interim condensed consolidated financial statements, statements issuance date. These events and conditions are material uncertainties that raise substantial doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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The Company's ability to move to the next stage of its strategic development and construct manufacturing plants is dependent on, among other factors, whether the Company can obtain the necessary financing through a combination of the issuance of debt, equity, and/or joint ventures, and/or government incentive programs and/or customers. However, there is no assurance that the Company will be successful in attracting additional funding. Even if additional financing is available, it may not be available on terms favorable to the Company. Failure to secure additional financing on favorable terms when it becomes required would have an adverse effect on the Company's financial position and on its ability to execute its business plan. The Company is seeking to finalize the negotiation of previously announced financing initiatives on acceptable terms (see Note 16 for additional details), however, there is no assurance it will succeed.

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 balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## 2. Summary of Significant Accounting Policies

### Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to use its judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Those estimates and assumptions include the going concern assessment, the net realizable value of inventories, estimates for depreciable lives of property, plant and equipment and intangible assets, recoverability of tax credits receivable, assumptions made in calculating the fair value of stock-based compensation and other equity instruments, and the assessment of performance conditions for stock-based compensation awards.

### Net earnings (loss) per share

The Company computes net loss per share in accordance with FASB ASC 260, *Earnings Per Share*. Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during the year. The Company includes common stock issuable in its calculation. Diluted earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Potential common shares are excluded from the computation if their effect is antidilutive.

For the three- and nine-month periods ended November 30, 2023 May 31, 2024 and 2022, 2023, the calculations of basic and diluted loss per share are the same because potential dilutive securities would have an antidilutive effect. As at November 30, 2023 May 31, 2024, the potentially dilutive securities consisted of 2,772,000 2,971,216 outstanding stock options (2022 (2023 – 2,542,000) 2,782,000), 4,417,688 4,399,060 outstanding restricted stock units (2022 (2023 – 4,036,803) 4,306,655), and 7,089,400 outstanding warrants (2022 (2023 – 7,104,553) 7,089,400).

### Recently issued accounting pronouncements not yet adopted

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances the transparency and decision usefulness of income tax disclosures. The amendments in this Update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information and includes certain other amendments to improve the effectiveness of income tax disclosures. The updated standard is effective for our annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements, other than additional disclosures in our notes to the consolidated financial statements.

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for our annual periods beginning in fiscal 2025 and interim periods beginning in the first quarter of fiscal 2026. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

### 3. Sales Tax, Tax Credits and Other Receivables

Sales tax, research and development tax credits and other receivables as at **November 30, 2023** **May 31, 2024** and **February 28, 2023** **February 29, 2024** were as follows:

	<b>November</b>			
	<b>30, 2023</b>	<b>February 28, 2023</b>		
Sales tax	\$ 97	\$ 170		
Investment tax credits	37	461		
Research and development tax credits	120	402		
Other receivables	157	42		
	<b>\$ 411</b>	<b>\$ 1,075</b>		

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	<b>May 31, 2024</b>		<b>February 29, 2024</b>	
Sales tax	\$ 89	\$ 75		
Research and development tax credits	145	160		
Interest income receivable	-	70		
Other receivables	8	46		
	<b>\$ 242</b>	<b>\$ 351</b>		

### 4. Inventories

Inventories as at **November 30, 2023** **May 31, 2024** and **February 28, 2023** **February 29, 2024** were as follows:

	<b>November</b>			
	<b>30, 2023</b>	<b>February 28, 2023</b>		
	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
Finished goods	\$ 569	\$ 242	\$ 549	\$ 552

Work in process	331	467	322	333
Raw materials	37	18	31	34
Allowance for inventory write-down			(803)	(817)
	<u>\$ 937</u>	<u>\$ 727</u>	<u>\$ 99</u>	<u>\$ 102</u>

As at November 30 May 31, 2024 and February 28, 2023 February 29, 2024, inventories included finished goods, work in process and raw materials. Finished goods inventories consist of bottle grade and fiber grade Loop™ PET resin which is intended to be sold to customers. Work in process inventories consist of recycled monomers (dimethyl terephthalate ("rDMT") and monoethylene glycol ("rMEG")), either purified or yet to be purified, resulting from the depolymerization of PET feedstock. These monomers shall are intended be polymerized into Loop™ PET resin in the future. Raw materials inventories consist of chemicals which are used as inputs in the PET depolymerization process. As at May 31, 2024 and February 29, 2024, finished goods and work in process inventories were presented at their net realizable value, while raw materials were presented at average cost. As at May 31, 2024, the Company recorded an allowance for inventory write-down of \$803 (February 29, 2024 – \$817) on finished goods and work in process inventories related to inventory volumes not expected to be sold in the next twelve months.

## 5. Deposits and Prepaid Expenses

As at November 30, 2023, the Company had \$8,460 (February 28, 2023 – \$3,395) of non-refundable cash deposits on long-lead equipment that are intended to be used in the first planned Infinite Loop™ manufacturing facility. Prepaid expenses and other deposits as at November 30, 2023 May 31, 2024 and February 29, 2024 were \$470 and \$636 as at February 28, 2023, follows:

## 6. Property, Plant and Equipment

	As at November 30, 2023			
			Accumulated depreciation, write-down	Net book
	Cost	impairment		value
Building	\$ 1,825	\$ (355)	\$ 1,470	
Land	225	-	225	
Building and Land Improvements	1,851	(1,399)	452	
Office equipment and furniture	277	(157)	120	
	<u>\$ 4,178</u>	<u>\$ (1,911)</u>	<u>\$ 2,267</u>	
As at February 28, 2023				

	Accumulated depreciation, write-down			Net book value
	Cost	and impairment		
Building	\$ 1,822	\$ (309)	\$ 1,513	
Land	225	-		225
Building and Land Improvements	1,839	(1,166)		673
Office equipment and furniture	274	(140)		134
	<u>\$ 4,160</u>	<u>\$ (1,615)</u>		<u>\$ 2,545</u>

Depreciation expense for the three- and nine-month periods ended November 30, 2023 amounted to \$93 and \$295, respectively (2022 – \$111 and \$348).

On May 27, 2021, we acquired land in Bécancour, Québec for cash of \$4,400. The Company sold approximately two thirds of the land held for sale in the three-month period ended November 30, 2022 for cash proceeds of \$8,559 and a gain on disposition of the asset of \$6,704.

	May 31, 2024	February 29, 2024
Insurance	\$ 399	\$ 449
Other	126	128
	<u>\$ 525</u>	<u>\$ 577</u>

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#### **6. Property, Plant and Equipment**

	As at May 31, 2024		
	Accumulated depreciation, write-down		
	Cost	and impairment	Net book value
Machinery and equipment <sup>(1)</sup>	\$ 8,460	\$ -	\$ 8,460
Building	1,818	(385)	1,433
Land	225	-	225
Building and Land Improvements	1,844	(1,535)	309
Office equipment and furniture	273	(167)	106

\$ 12,620	(2,087)	10,533
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(1) The equipment, which is being held in storage with the intention to be used in a commercial facility, is presented in machinery and equipment at cost and is currently not being amortized.

	As at February 29, 2024		
	Accumulated depreciation, write-down		
	Cost	and impairment	Net book value
Machinery and equipment	\$ 8,460	\$ -	\$ 8,460
Building	1,827	(371)	1,456
Land	226	-	226
Building and Land Improvements	1,853	(1,472)	381
Office equipment and furniture	275	(162)	113
	<u>\$ 12,641</u>	<u>\$ (2,005)</u>	<u>\$ 10,636</u>

Depreciation expense amounted to \$91 for the three-month period ended May 31, 2024 (2023 – \$101).

## 7. Intangible Assets

Intangible assets as at November 30, 2023 May 31, 2024 and February 28, 2023 February 29, 2024 were \$1,485 \$1,671 and \$1,210, \$1,548, respectively.

During the nine-month three-month periods ended November 30, 2023 May 31, 2024 and 2022, 2023, we made additions relating to patent application costs to intangible assets of \$378 \$176 and \$225, \$99, respectively.

Amortization expense for the three- and nine-month periods three-month period ended November 30, 2023 May 31, 2024 amounted to \$38 and \$105, respectively (2022 \$46 (2023 – \$23 and \$63) \$32).

## 8. Fair Value of Financial Instruments

The following tables presents the fair value of the Company's financial liabilities as at November 30, 2023 May 31, 2024 and February 28, 2023 February 29, 2024:

	Fair Value as at November 30, 2023			Fair Value at May 31, 2024		
	Carrying Amount	Fair Value	Level in hierarchy	Carrying Amount	Fair Value	Level in hierarchy
Financial liabilities measured at amortized cost:						

Long-term debt	\$ 3,315	\$ 3,290	Level 2	\$ 5,799	\$ 5,862	Level 2
Due to customer				\$ 784	\$ 784	Level 2

	Fair Value as at February 28, 2023		
	Carrying		Level in the hierarchy
	Amount	Fair Value	
Financial liabilities measured at amortized cost:			
Long-term debt	\$ 3,302	\$ 3,280	Level 2

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	Fair Value at February 29, 2024		
	Carrying		Level in the hierarchy
	Amount	Fair Value	
Financial liabilities measured at amortized cost:			
Long-term debt	\$ 3,320	\$ 3,377	Level 2
Due to customer	\$ 770	\$ 770	Level 2

The fair value of cash, and cash equivalents, restricted cash, due to customer, deposits, other receivables, and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

## 9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as at November 30, 2023 May 31, 2024 and February 28, 2023 February 29, 2024 were as follows:

	November		May 31,		February
	30,	February 28,	2024	2024	29, 2024
	2023	2023			
Trade accounts payable	\$ 288	\$ 1,020	\$ 1,466	\$ 602	
Accrued employee compensation	891	712	546	801	
Accrued engineering fees			-	511	
Accrued professional fees	277	410	706	274	
Accrued insurance premiums	-	70			
Accrued engineering fees	-	96			
Accrued director compensation	44	44			
Other accrued liabilities	60	158	173	133	
	\$ 1,560	\$ 2,510	\$ 2,891	\$ 2,321	

## 10. Long-Term Debt

Long-term debt as of **November 30, 2023** **May 31, 2024** and **February 28, 2023** **February 29, 2024**, was comprised of the following:

	November 30, 2023	February 28, 2023
<b>Investissement Québec financing facility:</b>		
Principal amount	\$ 3,360	\$ 3,380
Unamortized discount	(210)	(261)
Accrued interest	165	183
Total Investissement Québec financing facility	3,315	3,302
Less: current portion of long-term debt	(501)	(62)
Long-term debt, net of current portion	<u><u>\$ 2,814</u></u>	<u><u>\$ 3,240</u></u>

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	May 31, 2024	February 29, 2024
<b>Investissement Québec financing facility:</b>		
Principal amount	\$ 3,318	\$ 3,353
Unamortized discount	(187)	(191)
Accrued interest	151	158
Total Investissement Québec financing facility	3,282	3,320
Less: current portion of long-term debt	(244)	(100)
	3,038	3,220
Credit facility	2,517	-
Long-term debt, net of current portion	<u><u>\$ 5,555</u></u>	<u><u>\$ 3,220</u></u>

### *Investissement Québec financing facility*

The Company recorded interest expense on the Investissement Québec loan for the **three- and nine-month periods** **three-month period ended November 30, 2023** **May 31, 2024** in the amount of **\$21** and **\$63**, respectively **(2022 \$30 (2023 – \$21 and \$65) \$21)** and an accretion expense of **\$18** and **\$53**, respectively **(2022 \$14 (2023 – \$17 and \$52) \$17)**. During the **nine-month** **three-month** period ended **November 30, 2023** **May 31, 2024**, the Company made repayments of **\$47 (2022 \$25 (2023 – nil) \$16)** on the Investissement Québec loan.

Total repayments due on the Company's indebtedness over the next five years are as follows:

Years ending	Amount
February 29, 2024	\$ 16
February 28, 2025	585
February 28, 2026	585
February 28, 2027	585
February 29, 2028	585
Thereafter	1,169
<b>Total</b>	<b>\$ 3,525</b>

*Credit facility from a Canadian bank*

On July 26, 2022, Loop Canada, Inc., a wholly-owned subsidiary of the Company, entered into an Operating Credit Facility (the "Credit Facility") with a Canadian bank. The Credit Facility allows for borrowings of up to **\$2,577** **\$2,567** in aggregate principal amount and provides for a two-year **term**, **term on amounts drawn**. The Credit Facility is secured by the Company's Terrebonne, Québec property and is subject to a minimum equity covenant, tested quarterly with which the Company was in compliance as at November 30, 2023 **May 31, 2024**. All borrowings under the Credit Facility **will** bear interest at an annual rate equal to the bank's Canadian prime rate plus 1.0%. **The Company is subject to a guarantee of the liabilities of Loop Canada Inc. As at November 30, 2023** **May 31, 2024**, the **Company borrowed \$2,517 under the Credit Facility was available and undrawn**. Facility.

## 11. Related Party Transactions

### Employment Agreement

During the nine-month period ended November 30, 2022, Mr. Solomita met a performance milestone in relation to the signature of a supply agreement with a customer. Accordingly, 1,000,000 performance incentive RSUs with a fair value of \$7,740 were earned and issuable to Mr. Solomita. This amount was reflected as stock-based compensation expense during the nine-month period ended November 30, 2022. During the nine-month period ended November 30, 2023, no outstanding performance milestones were probable of being achieved and, accordingly, the Company did not record any additional stock-based compensation expense.

On October 12, 2023, Mr. Solomita and the Company agreed to defer by one year the settlement of 800,000 RSUs that were set to settle on October 15, 2023. On October 14, 2022, Mr. Solomita and the Company agreed to defer by one year the settlement of 400,000 RSUs that were set to settle on October 15, 2022.

## 12. Stockholders' Equity

### Common Stock

	Number of shares	Amount
<b>For the nine-month period ended November 30, 2023</b>		
Balance, February 28, 2023	47,469,224	\$ 5
Issuance of shares upon settlement of restricted stock units	51,963	-
Issuance of shares upon the exercise of stock options	7,721	-
Balance, November 30, 2023	<u>47,528,908</u>	<u>\$ 5</u>

	Number of shares	Amount
<b>For the nine-month period ended November 30, 2022</b>		
Balance, February 28, 2022	47,388,056	\$ 5
Issuance of shares upon settlement of restricted stock units	51,531	-
Balance, November 30, 2022	<u>47,439,587</u>	<u>\$ 5</u>

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Total repayments due on the Company's indebtedness over the next five years are as follows:

<b>Years ending</b>	<b>Amount</b>
February 28, 2025	\$ 74
February 28, 2026	679
February 28, 2027	3,196
February 29, 2028	679
February 28, 2029	679
Thereafter	679
<b>Total</b>	<b><u>\$ 5,986</u></b>

**11. Stockholders' Equity**

**Common Stock**

	Number of shares	Amount
<b>For the period ended May 31, 2024</b>		
Balance, February 29, 2024	47,528,908	\$ 5
Issuance of shares upon settlement of restricted stock units	9,837	-
Balance, May 31, 2024	<u>47,538,745</u>	<u>\$ 5</u>
	Number of shares	Amount
<b>For the period ended May 31, 2023</b>		
Balance, February 28, 2023	47,469,224	\$ 5
Issuance of shares upon settlement of restricted stock units	51,963	-
Balance, May 31, 2023	<u>47,521,187</u>	<u>\$ 5</u>

During the **nine** three months ended **November 30, 2023** **May 31, 2024**, the Company recorded the following common stock transaction:

(i) The Company issued 9,837 shares of the common stock to settle restricted stock units that vested in the period.

During the three months ended May 31, 2023, the Company recorded the following common stock transaction:

(i) The Company issued 51,963 shares of the common stock to settle restricted stock units that vested in the period.

(ii) The Company issued 7,721 shares of the common stock to settle stock options exercised in the period.

During the nine months ended November 30, 2022, the Company recorded the following common stock transaction:

(i) The Company issued 51,531 shares of the common stock to settle restricted stock units that vested in the period.

### 13.12. Research and Development Expenses

Research and development expenses for the three-month periods ended November 30, 2023 May 31, 2024 and 2022 2023 were as follows:

	November	
	November 30, 2023	30, 2022
Employee compensation	\$ 1,268	\$ 1,995
Machinery and equipment expenditures	4	1,059
External engineering	262	707
Plant and laboratory operating expenses	322	916
Tax credits	(221)	(300)
Other	198	205
	<u>\$ 1,833</u>	<u>\$ 4,582</u>

Research and development expenses for the nine-month periods ended November 30, 2023 and 2022 were as follows:

	November		November	
	30, 2023	30, 2022	May 31, 2024	May 31, 2023
Employee compensation	\$ 4,087	\$ 6,350	\$ 1,144	\$ 1,446
Machinery and equipment expenditures	1,240	4,133	3	1,236
External engineering	1,558	2,914	628	1,155
Plant and laboratory operating expenses	1,238	2,366	270	469
Tax credits	(269)	(1,207)		
Other	507	577	192	184
	<u>\$ 8,361</u>	<u>\$ 15,133</u>	<u>\$ 2,237</u>	<u>\$ 4,490</u>

### 14.13. General and Administrative Expenses

General and administrative expenses for the three-month periods ended November 30, 2023 May 31, 2024 and 2022 2023 were as follows:

	November 30, 2023	May 31, 2024	May 31, 2023
Employee compensation	\$ 4,087	\$ 6,350	\$ 1,446
Machinery and equipment expenditures	1,240	4,133	1,236
External engineering	1,558	2,914	1,155
Plant and laboratory operating expenses	1,238	2,366	469
Tax credits	(269)	(1,207)	
Other	507	577	184
	<u>\$ 8,361</u>	<u>\$ 15,133</u>	<u>\$ 4,490</u>

	November	
	November 30, 2023	30, 2022
Employee compensation	\$ 835	\$ 911
Professional fees	720	1,278
Insurance	645	710
Other	258	284
	<u><b>\$ 2,458</b></u>	<u><b>\$ 3,183</b></u>

General and administrative expenses for the nine-month periods ended November 30, 2023 and 2022 were as follows:

	November	
	November 30, 2023	30, 2022
Employee compensation <sup>(1)</sup>	\$ 2,548	\$ 10,728
Professional fees	2,251	3,841
Insurance	2,058	2,883
Other	910	778
	<u><b>\$ 7,767</b></u>	<u><b>\$ 18,230</b></u>

(1) Includes stock-based compensation expense. During the nine-month period ended November 30, 2022, the Company recorded a stock-based compensation expense of \$7,740 related to the achievement of a performance milestone for 1,000,000 RSUs (Note 11).

	May 31, 2024	May 31, 2023
Employee compensation	\$ 876	\$ 833
Insurance	492	703
Professional fees	1,255	619
Other	288	310
	<u><b>\$ 2,911</b></u>	<u><b>\$ 2,465</b></u>

## 15.14. Share-based Payments

### Stock Options

The following table summarizes the continuity of the Company's stock options during the three-month periods ended November 30, 2023 May 31, 2024 and 2022: 2023:

	2023			2022		
	Number of stock options	Weighted average exercise		Number of stock options	Weighted average exercise	
		price	price		options	price
Outstanding, beginning of period	2,782,000	\$ 5.08		1,570,000	\$ 6.87	
Granted	-	-		972,000	2.68	
Exercised	(10,000)	0.80		-	-	
Forfeited	-	-		-	-	
Expired	-	-		-	-	
Outstanding, end of period	2,772,000	\$ 5.10		2,542,000	\$ 5.27	
Exercisable, end of period	1,810,000	\$ 6.53		1,670,000	\$ 6.84	

The following tables summarizes the continuity of the Company's stock options during the nine-month periods ended November 30, 2023 and 2022:

	2023			2022			2024			2023		
	Number of stock options	Weighted average exercise		Number of stock options	Weighted average exercise		Number of stock options	Weighted average exercise		Number of stock options	Weighted average exercise	
		price	price		options	price		options	price		options	price
Outstanding, beginning of period	2,542,000	\$ 5.27		1,570,000	\$ 6.87		2,772,000	\$ 5.10		2,542,000	\$ 5.27	
Granted	240,000	3.11		972,000	2.68		199,216	2.89		240,000	3.11	
Exercised	(10,000)	0.80		-	-		-	-	-	-	-	
Forfeited	-	-		-	-		-	-	-	-	-	
Expired	-	-		-	-		-	-	-	-	-	
Outstanding, end of period	2,772,000	\$ 5.10		2,542,000	\$ 5.27		2,971,216	\$ 4.95		2,782,000	\$ 5.08	
Exercisable, end of period	1,810,000	\$ 6.53		1,670,000	\$ 6.84		1,890,000	\$ 6.39		1,670,000	\$ 6.84	

The Company applies the fair value method of accounting for stock-based compensation awards granted. Fair value is calculated based on a Black-Scholes option pricing model. There were no new issuances of stock options for the three-month

period ended November 30, 2022. The principal components of the pricing model for the stock options granted in the nine-month three-month period ended November 30, 2023 May 31, 2024 and 2023 were as follows:

		2024	2023
Exercise price	\$ 3.11	\$ 2.89	3.11
Risk-free interest rate	3.84 %	4.09 %	3.84 %
Expected dividend yield	0 %	0 %	0 %
Expected volatility	79 %	73 %	79 %
Expected life	3 years	7 years	3 years

During the three-month periods ended November 30, 2023 May 31, 2024 and 2022, 2023, stock-based compensation expense attributable to stock options amounted to \$168 \$146 and \$551, \$162, respectively. During the nine-month periods ended November 30, 2023 and 2022, stock-based compensation expense attributable to stock options amounted to \$501 and \$1,181, respectively.

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#### Restricted Stock Units

The following table summarizes the continuity of the restricted stock units during the three-month periods ended November 30, 2023 May 31, 2024 and 2022: 2023:

	2023		2022	
	Number of units	Weighted average	Number of units	Weighted average
		fair value		fair value
Outstanding, beginning of period	4,417,688	\$ 6.52	4,128,718	\$ 7.37
Granted	-	-	-	-
Settled	-	-	(38,878)	13.08
Forfeited	-	-	(53,037)	13.40
Outstanding, end of period	4,417,688	\$ 6.52	4,036,803	\$ 7.17
Outstanding vested, end of period	1,635,241	\$ 6.22	1,563,497	\$ 6.29

The following table summarizes the continuity of the restricted stock units during the nine-month periods ended November 30, 2023 and 2022:

2023	2022	2024	2023
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	Weighted average		Weighted average		Weighted average		Weighted average	
	Number of units	fair value price						
Outstanding, beginning of period	<b>3,888,618</b>	\$ <b>7.09</b>	4,018,567	\$ <b>7.42</b>	<b>4,368,897</b>	\$ <b>6.53</b>	3,888,618	\$ <b>7.09</b>
Granted	<b>585,364</b>	<b>2.93</b>	151,605	5.14	<b>40,000</b>	<b>2.85</b>	470,000	2.87
Settled	<b>(51,963)</b>	<b>8.66</b>	(51,531)	13.07	<b>(9,837)</b>	<b>8.31</b>	(51,963)	8.66
Forfeited	<b>(4,331)</b>	<b>8.21</b>	(81,838)	11.74	-	-	-	-
Outstanding, end of period	<b>4,417,688</b>	<b>\$ 6.52</b>	4,036,803	\$ <b>7.17</b>	<b>4,399,060</b>	<b>\$ 6.49</b>	4,306,655	\$ <b>6.61</b>
Outstanding vested, end of period	<b>1,635,241</b>	<b>\$ 6.22</b>	1,563,497	\$ <b>6.29</b>	<b>1,727,575</b>	<b>\$ 6.07</b>	1,568,497	\$ <b>6.31</b>

The Company applies the fair value method of accounting for awards granted through the issuance of restricted stock units. Fair value is calculated based on the intrinsic value at grant date multiplied by the number of restricted stock unit awards granted.

During the three-month periods ended November 30, 2023 May 31, 2024 and 2022, stock-based compensation attributable to RSUs amounted to \$229 \$224 and \$323, \$193, respectively. During the nine-month periods ended November 30, 2023 and 2022, stock-based compensation attributable to RSUs amounted to \$639 and \$8,788, respectively. During the nine-month period ended November 30, 2022, the Company recorded a stock-based compensation expense of \$7,740 related to the achievement of a performance milestone for 1,000,000 RSUs (Note 11).

#### Stock-Based Compensation Expense

During the three-month periods ended November 30, 2023 and 2022, stock-based compensation included in research and development expenses amounted to \$161 and \$455, respectively, and in general and administrative expenses amounted to \$236 and \$419, respectively.

During the nine-month periods ended November 30, 2023 and 2022, stock-based compensation included in research and development expenses amounted to \$476 and \$1,170, respectively, and in general and administrative expenses amounted to \$664 and \$8,799, respectively. The amount recorded in general and administrative expenses for the nine-month period ended November 30, 2022 includes \$7,740 related to the achievement of a performance milestone for 1,000,000 RSUs (Note 11).

#### 16. Stock-Based Compensation Expense

During the three-month periods ended May 31, 2024 and 2023, stock-based compensation included in research and development expenses amounted to \$129 and \$159, respectively, and in general and administrative expenses amounted to \$241 and \$196, respectively.

## 15. Equity Incentive Plan

On July 6, 2017, the Company adopted the 2017 Equity Incentive Plan (the "Plan"). The Plan permits the granting of warrants, stock options, stock appreciation rights and restricted stock units to employees, directors and consultants of the Company. A total of 3,000,000 shares of common stock were initially reserved for issuance under the Plan at July 6, 2017, with annual automatic share reserve increases, as defined in the Plan, amounting to the lesser of (i) 1,500,000 shares, (ii) 5% of the outstanding shares on the last day of the immediately preceding fiscal year, or (iii) ~~or~~ such number of shares determined by the Administrator of the Plan, effective March 1, 2018. On ~~March 1, 2023~~ March 1, 2024, the share reserve was increased by 1,500,000 shares. ~~On March 1, 2022, the Board of Directors opted to waive the annual share reserve increase.~~ shares (2023 – 1,500,000). The Plan is administered by the Board of Directors who designates eligible participants to be included under the Plan, the number of awards granted, the share price pursuant to the awards and the vesting conditions and period. The awards, when granted, will have an exercise price of no less than the estimated fair value of shares at the date of grant and a life not exceeding 10 years from the grant date. However, where a participant, at the time of the grant, owns stock representing more than 10% of the voting power of the Company, the life of the options shall not exceed 5 years.

The following table summarizes the continuity of the Company's Equity Incentive Plan units that were authorized for issuance as at and during the ~~nine-month~~ ~~three-month~~ periods ended ~~November 30, 2023~~ May 31, 2024 and ~~2022: 2023:~~

	2023	2024	2022	2023
	Number of units*	Number of units*		
Authorized, beginning of period	120,486	848,244	1,043,705	120,486
Automatic share reserve increase	1,500,000		-1,500,000	
Units granted	(825,364)	239,216	(1,123,605)	710,000
Units forfeited	4,331		81,838	
Units expired				
Authorized, end of period	799,453	2,109,028	1,938	910,486

\*The use of the term "units" in the table above describes a combination of stock options and RSUs.

## 17. Warrants

During the nine-month period ended November 30, 2022, warrants to purchase 4,554,865 shares of our common stock in aggregate with an exercise price of \$11.00 expired.

## 18. Commitments ~~16. Contractual agreements~~

Agreement for purchase of equipment with Reed Management SAS ("Reed")

In December 2021, On May 30, 2024, the Company and Reed, a European investment firm focused on high impact and technology-enabled infrastructure, entered into definitive binding agreements, subject to certain closing conditions, for an investment of €35 million from Reed to fund the global commercialization of the Infinite Loop™ Technology and have agreed to form a 50/50 joint venture for the European deployment of Loop's technology.

Under the terms of the agreement, which has been signed following the completion by Reed of extensive operational, technical, ESG, and legal due diligence, Reed will provide capital as follows:

- €10M investment in a Convertible Preferred Security to be issued by Loop, which contains a 13% PIK dividend rate and 5-year term; and
- €25M loan to Loop in two equal tranches – first tranche to support global deployment opportunities paid at closing and second tranche to support European deployment opportunities paid in the following 12 months with both tranches having a 13% PIK interest rate and 3-year term;

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The closing of the transaction is subject to the fulfillment of certain closing conditions, principally the conditions that (i) Reed shall have successfully completed its first capital raising for its fund; and (ii) Loop shall have received a binding financing commitment from a governmental agency.

#### *Strategic partnership with Ester Industries Ltd. ("Ester")*

On May 1, 2024, the Company entered into an agreement with Ester, a manufacturer of polyester films and specialty polymers in India, to form a 50/50 joint venture based in India ("India JV"). The purpose of the India JV is to build and operate an Infinite Loop™ manufacturing facility in India which will produce lower carbon footprint rDMT, rMEG and specialty polymers, using the Infinite Loop™ Technology. To date, no amounts have been contributed by the Company to the India JV.

Subject to the terms of the relevant governing documents, Ester will be the exclusive producer of specialty polymers for the purchase India JV, and the Company will be the exclusive seller and marketing agent of long-lead equipment the India JV's products. Ester and the Company will work in connection with collaboration on all financing activities for the construction India JV pursuant to the terms of our first the agreement. Pursuant to the terms of the relevant governing documents, Loop and Ester parties will endeavor to obtain debt for a minimum of 60% of the total installed cost of the Infinite Loop™ manufacturing facility for up to \$8,546, subject to various terms in India and conditions, including fabrication timelines and equipment inspection. Pursuant to will each contribute 50% of the agreement, initial equity capital of the Company has paid cash deposits of \$8,460 (Note 5). The remaining balance is expected to be paid by the end of this fiscal year. India JV.

#### *Agreement with SK Geo Centric Co. Ltd. ("SKGC")*

On April 27, 2023, the Company and SKGC entered into an agreement to build Infinite Loop™ manufacturing facilities in Asia. Pursuant to the agreement, the Company and SKGC agreed to form a new entity, which will be headquartered in Singapore. SKGC will contribute 51% and Loop will contribute the remaining 49% of the initial equity capital of the new entity. The Company's investment in the new entity will be accounted for under the equity method and initially recognized at cost. To date, no amounts have been contributed by the Company to the new entity.

## 19. Subsequent Event

On January 16<sup>th</sup>, Loop announced that the Company signed a non-binding memorandum of understanding with Reed Management, a European investment firm, for \$66 million in non-dilutive financing as part of a joint venture to roll-out Loop's technology in the European market. Of this amount, \$33 million is to be provided to Loop as non-dilutive capital to fund Loop's technology commercialization globally. The remaining \$33 million is to be invested in the European joint venture. The non-binding memorandum of understanding is subject to customary due diligence and the fulfillment of certain pre-closing conditions.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following information and any forward-looking statements should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q, including those risks identified in the "Risk Factors" section of our most recent Annual Report on Form 10-K.*

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of Loop Industries, Inc., a Nevada corporation (the "Company," "Loop," "we," or "our"), contains "forward-looking statements," as defined in the United States Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms and other comparable terminology. These forward-looking statements include, without limitation, statements about our market opportunity, our strategies, ability to improve and expand our capabilities, competition, expected activities and expenditures as we pursue our business plan, the adequacy of our available cash resources, regulatory compliance, plans for future growth and future operations, the size of our addressable market, market trends, and the effectiveness of the Company's internal control over financial reporting. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Actual results may differ materially from the projections discussed in these forward-looking statements. The economic environment within which we operate could materially affect our actual results. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These risks and other factors include, but are not limited to, those listed under "Risk Factors." Additional factors that could materially affect these forward-looking statements and/or projections include, among other things: (i) commercialization of our technology and products, (ii) our status of relationship with partners, (iii) development and protection of our intellectual property and products, (iv) industry competition, (v) our need for and ability to obtain additional funding relative to our current and future financial commitments, (vi) engineering, contracting, and building our manufacturing facilities, (vii) our ability to scale, manufacture, and sell our products in order to generate revenues, (viii) our proposed business model and our ability to execute thereon, (ix) the ability to obtain the necessary approvals or satisfy any closing conditions in respect of any of our proposed partnerships, (x) our joint venture projects and our ability to recover certain expenditures in connection therewith,

(xi) adverse effects on the Company's business and operations as a result of increased regulatory, media, or financial reporting scrutiny, practices, rumors, or otherwise, (xii) disease epidemics and other health-related concerns and crises, which could result in reduced access to capital markets, supply chain disruptions and scrutiny, embargoes of goods produced in affected areas, government-imposed mandatory business closures and any resulting furloughs of our employees, government employment subsidy programs, travel restrictions or the like to prevent the spread of disease, or market or other changes that could result in non-cash impairments of our intangible assets, and property, plant and equipment, (xiii) the effect of the continuing worldwide macroeconomic uncertainty and its impacts, including inflation, market volatility and fluctuations in foreign currency exchange and interest rates, (xiv) the outcome of any SEC investigations or class action litigation filed against us, (xv) our ability to hire and/or retain qualified employees and consultants, (xvi) other events or circumstances over which we have little or no control, and (xvii) other factors discussed in our subsequent filings with the **SEC**, Securities and Exchange Commission (the "SEC").

Management has included projections and estimates in this Form 10-Q, which are based primarily on management's experience in the industry, assessments of our results of operations, discussions and negotiations with third parties, and a review of information filed by our competitors with the SEC or otherwise publicly available.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as at the date of this **Quarterly Report on** Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as at the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

## General

As used in this Quarterly Report on Form 10-Q, the following terms are being provided so investors can better understand our business:

**Depolymerization** refers to the chemical process of breaking down a polymer molecule into its constituent monomers or smaller subunits. Depolymerization is the opposite of polymerization.

**DMT** is an acronym for dimethyl terephthalate, which is a monomer used in the production of polyethylene terephthalate ("PET"), as well as other products.

**MEG** is an acronym for monoethylene glycol, which is a monomer used in the production of **PET**, PET, as well as other products.

**Polymerization** refers to a process of reacting monomer molecules together in a chemical reaction to form polymer chains or three-dimensional networks.

**PET** is an acronym for polyethylene terephthalate, which is a resin and a type of polyester showing excellent tensile and impact strength, chemical resistance, clarity, and processability, and reasonable thermal stability. PET is the material which is most commonly used for the production of polyester fiber and plastic packaging, including plastic bottles for water and carbonated soft drinks, containers for food and other consumer products; it is commonly identified by the number "1", often inside an image of a triangle, on the packaging. PET is also used as a polyester fiber for a variety of applications including textiles, clothing and apparel.

**rPET, rDMT and rMEG** is an acronym are acronyms for recycled **Polyethylene terephthalate**, PET, DMT and MEG.

All monetary amounts in this Quarterly Report on Form 10-Q are in thousands of U.S. dollars unless otherwise specified, except for per share data.

## Introduction

Loop is a technology company whose mission is to accelerate the world's shift towards sustainable PET plastic and polyester fiber and away from the dependence on fossil fuels. Loop owns patented and proprietary technology that depolymerizes no and low-value waste PET plastic and polyester fiber ("Infinite Loop™ Technology"), including plastic bottles and packaging, carpets and textiles of any color, transparency or condition and even ocean plastics that have been degraded by the sun and salt, to its base building blocks (monomers). The monomers are filtered, purified and polymerized to create virgin-quality Loop™ branded PET resin suitable for use in food-grade packaging and polyester fiber, thus enabling our customers to meet their sustainability objectives. Loop is contributing to the global movement towards a circular economy by reducing and recovering plastic waste for a sustainable future.

We also intend to leverage the Infinite Loop™ Technology to expand into specialty chemicals and polymers through a unique product offering of lower carbon footprint rDMT, rMEG and specialty polymers. Loop intends to produce and sell rDMT, rMEG and other specialty polymers directly to chemical companies as a simple drop-in supplement and circular alternative. We believe this expanded product portfolio will enable the Infinite Loop™ Technology to reach new markets and cater to a broader range of customers across multiple industries including electronics, automotive, textile, cosmetics and packaging and other applications. This recent expansion in Loop's product offering is non-reliant on green premiums or carbon and plastic credits, and we believe it addresses a global shortage in supply of DMT and high demand for low carbon MEG, and lowers capital intensity for commercial projects with the removal of polymerization equipment.

The Company is presently in the planning stages of pursuing the construction of Infinite **Loop™** Loop™ commercial scale facilities. Loop is currently engaged in discussions to secure financing for its investments in the various planned manufacturing

facilities and the sequencing of the manufacturing facilities will be determined in conjunction with the outcome of the Company's financing discussions and discussions with our partners.

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**Background**

*Industry Background*

We believe Loop's depolymerization technology offers a complementary solution to mechanical recycling by enabling the use of a wider variety of PET feedstock, including complex and degraded plastics as well as polyester fiber, to produce virgin quality rPET with no degradation through continued recycling.

Mechanically recycled PET plastic is produced principally through the conversion of bales of PET bottles. The materials have been collected and transported to a materials recovery facility, where they are sorted from other materials, baled, and sent to specific PET recycling facilities. The bales are broken and sorted to remove any non-PET materials. The PET is then ground and put through a separation process which separates the PET from the bottle cap and label materials. Clean PET flake is then further processed depending on its intended end market. It may become more highly refined PET pellets for new bottles or extruded into PET sheet for clamshells, trays, and cups. Recycled PET is also spun into fiber for carpet, clothing, fiber fill, or other materials.

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We believe mechanically recycled PET faces a number of challenges in meeting the quality specifications and growing volume requirements implied by commitments from major brands, mainly due to the cost and variety of acceptable PET feedstock. Some mechanical recycling processes involve remelting the PET flake which reduces the quality of the rPET output each time it is recycled relative to the specifications of virgin PET produced from fossil fuels. Each time PET plastic is mechanically recycled, its quality and clarity are reduced. Therefore, mechanically recycled PET may need to be mixed with virgin PET from fossil fuels to maintain quality. Lower quality mechanically recycled PET is often downcycled to alternate uses such as polyester fibers which may be dyed and used in carpets or clothing. Additionally, mechanically recycled PET manufactured for use in clear bottles or food containers requires predominantly clear and clean PET flakes separated from waste bales, and cannot accommodate colored or opaque PET flakes, lower quality fiber feedstock, or materially contaminated feedstock, which may be cheaper.

Depolymerization is a process in which plastics are broken down into their constituent molecules through chemical reactions, rather than being physically melted down and reprocessed as in mechanical recycling. This approach, which we utilize, has several advantages over mechanical recycling, which can have limitations due to the complexity and diversity of plastics.

One of the main limitations of mechanical recycling is that it is difficult to recycle plastics that have been contaminated or degraded. For example, if a plastic container has been exposed to heat or sunlight, it may become brittle and prone to breaking during the recycling process. Another limitation of mechanical recycling is that it is difficult to recycle certain types of plastics, such as multi-layered or composite plastics. These plastics are often used in food packaging or other products that require specialized properties like barrier protection or insulation. Depolymerization, however, can break down these degraded or complex plastics into their constituent molecules, which can then be purified and used to create new products.

Loop's depolymerization technology has the potential to create a closed-loop system for plastic waste, whereby plastics can be recycled an infinite number of times without degrading the quality of the material. This is because the constituent molecules can be broken down and reassembled without losing their original properties, which can reduce the need for new plastics to be produced.

We believe Loop's depolymerization technology offers a promising solution to the limitations of mechanical recycling by enabling the recirculation of more diverse and complex plastics, reducing waste and pollution, and creating a closed-loop system for plastic waste.

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Our depolymerization technology breaks down waste PET into DMT and MEG. The monomers are purified and then recombined into virgin quality PET plastic and polyester fiber. We use low value PET plastic and polyester fiber waste as feedstock. Our technology can process PET plastic bottles and packaging of any color, transparency or condition, carpet, clothing and other polyester textiles that may contain colors, dyes, or additives, and even PET plastics that have been recovered from the ocean and degraded by exposure to sun and salt. We believe that our ability to use many materials that mechanical recyclers cannot process is an important advantage of Loop™ PET resin and further expands the range of PET waste streams that may be recycled. This also means we are creating a new market for materials that have persistently been leaking out of the waste management system and into shared rivers, oceans and natural areas.

Currently, the DMT market is largely dominated by few key players, leaving limited options for customers and high market concentration. Additionally, the market is experiencing a global shortage of DMT, amplifying market challenges and creating a pressing need for alternative sources. The introduction of Loop's rDMT has the potential to shift the market dynamic by offering a sustainable alternative to traditional DMT produced from fossil fuels.

In parallel, low-carbon MEG is in high demand and customers are increasingly seeking alternative solutions, but market options are limited and costly. As sustainability concerns intensify and regulatory pressures mount, the demand for low carbon MEG solutions is expected to continue to grow. Loop's rMEG has the potential to address a gap in the market and help fulfill customers' needs by offering a lower carbon footprint recycled alternative to the current market options for MEG.

[Supply Agreements](#) [Strategic partnership with Global Consumer Brands Ester Industries Ltd. \("Ester"\)](#)

In On May 1, 2024 Loop entered into an agreement with Ester, one of India's leading manufacturers of polyester films and specialty polymers, to form a 50/50 India joint venture ("India JV"). The purpose of the past years, we India JV is to build and

operate an Infinite Loop™ manufacturing facility in India which will produce a unique product offering of lower carbon footprint rDMT, rMEG and specialty polymers, using the Infinite Loop™ Technology.

Loop and Ester have seen major consumer brands make significant commitments to close the loop on their plastic use by transitioning their packaging to recyclable materials like PET, and by incorporating more recycled content into their packaging.

We believe a well-established working relationship, with Ester producing Loop™ PET resin provides using monomers produced at Loop's Terrebonne Facility for global brand companies over the ideal solution for these brands because it is recyclable last four years. The India JV intends to leverage the complementary skill set of each partner by combining Loop's innovative technology and is made from 100% recycled global customer relationships with Ester's nearly 40 years of specialized polymer production, operational proficiency, and local expertise, including sourcing of PET waste plastic and polyester fiber while being virgin-quality waste feedstocks.

The Infinite Loop™ India facility is expected to produce 70,000 tonnes of rDMT and suitable for use 23,000 tonnes of rMEG annually and Ester will toll convert the rDMT and rMEG into various grades of specialty polymers, offering chemical companies a simple drop-in supplement and circular alternative.

The rDMT and rMEG product offerings expected to be manufactured at the Infinite Loop™ India facility represent a strategic product expansion in food-grade packaging a low-cost manufacturing environment which we believe complements Loop's existing PET plastic and polyester fiber manufacturing business and will fuel growth by addressing the large and growing demand in the market. We believe this expansion will enable the Infinite Loop™ Technology to reach new markets and cater to a broader range of customers across multiple industries including electronics, automotive, textile, cosmetics and packaging.

Due The India facility will leverage the Infinite Loop™ Technology and existing engineering package which should accelerate the lead-time towards groundbreaking, expected to occur by end of 2024. Feedstock sourcing for the commitments facility, in which there is abundant supply from textile waste in India, is well advanced and the partners have engaged an external firm to source and secure the land for the facility. Construction is expected to be completed by large global consumer brands the end of 2026, with commercial operations commencing in early 2027.

We believe the India JV offers attractive projected economic returns without the need for substantial sustainability-linked premium pricing. Loop and Ester anticipate that initial funding required to incorporate more recycled content into their product packaging, finance the regulatory India JV for the purposes of construction, development and operationalization of the project along with initial working capital requirements for minimum recycled content in packaging imposed by governments, the virgin-quality business is expected to be \$165 million. Ester and Loop will each contribute 50% of Loop™ branded PET resin and its marketability to enhance the sustainability credentials initial equity capital of consumer brands that incorporate it, we believe we will be able to sell Loop™ branded PET resin at a premium price relative to virgin and mechanically recycled PET resin. the India JV.

We currently have agreements with some Subject to the terms of the world's leading brands relevant governing documents, Ester will be the exclusive producer of specialty polymers for the India JV, and Loop will be the exclusive seller and marketing agent of the India JV's products. Ester and Loop will work in collaboration on all financing activities for the India JV pursuant to the terms of the agreement.

Loop and Ester will also enter into (i) a technology license agreement with Loop (the "Loop Technology License Agreement"), (ii) a service agreement with Ester, and (iii) a sales and marketing agreement with Loop, each on terms to be supplied from our planned commercial facilities, including:

- Multi-year supply agreement with Danone SA ("Danone"), one of mutually agreed upon by the parties. Pursuant to the Loop Technology License Agreement, the India JV will be granted an exclusive, subject to certain exceptions, license to exploit the world's leading global food and beverage companies, enabling Danone to purchase 100% sustainable and upcycled Loop™ branded PET for use in brands across its portfolio including evian®, Danone's iconic natural spring water;
- Multi-year supply agreement with L'OCCITANE en Provence ("L'OCCITANE") to supply 100% recycled and sustainable Loop™ PET resin and incorporate Loop™ PET resin into its product packaging; and
- Multi-year supply agreement with L'Oréal Group, the global leader in the beauty industry, enabling L'Oréal Group to purchase production capacity and incorporate Loop™ PET resin into its product packaging.

We also have a signed letter of intent with On AG, a sportswear brand and subsidiary of On Holding AG, to secure volumes of Loop™ PET resin from the Asian Infinite Loop™ manufacturing facility in Ulsan, South Korea, which Loop is planning to construct with its strategic partner SK Geo Centric ("SKGC").

We are pursuing amended supply agreements with existing customers and new agreements with additional customers that are located in North America, Europe, and Asia to sell the production volumes of our planned Infinite Loop™ commercial facilities. Technology in India at a royalty rate to be set forth in the Loop Technology License Agreement.

#### Strategic Partnership with SKGC SK Geo Centric ("SKGC")

In June 2021, The planned Infinite Loop and SKGC concluded a definitive agreement for SKGC to become a strategic investor in Loop, with SKGC acquiring a 10% stake in Loop at \$12.00 per share for a total of \$56.5 million. The transaction, which closed in July 2021, also included warrants for SKGC to purchase Loop common stock at \$15.00 and \$20.00 per share. Concurrent with the strategic investment, Loop and SKGC entered into a memorandum of understanding ("MOU") to form a joint venture with exclusivity to build sustainable PET plastic and polyester fiber manufacturing facilities throughout Asia.

SKGC is a global chemical company and member of the SK Group, one of South Korea's largest conglomerates. SKGC is a general energy and chemical leader in the global market and is growing into a technology-based global chemical company through continuous R&D efforts. SKGC aims to achieve its "Green for Better Life" vision by establishing a plastics based circular economy through collaboration with various partners and stakeholders, such as Loop.

Asia represents approximately 60% of the world's population and 70% of global PET consumption and is the main hub for the polyester fiber supply chain for textiles. The Asian market represents a prime opportunity for Loop's growth and commercialization of its technology. SKGC is well established with a deep understanding of the Asian market, and vast expertise in building and operating large-scale petrochemical facilities, making them a uniquely well-suited partner for Loop in helping to ensure the successful commercialization of Loop's technology in this market.

On April 27, 2023, Loop and SKGC entered into a joint venture agreement (the "JV Agreement") to deploy Loop's depolymerization technology in the Asian market through multiple<sup>TM</sup> commercial manufacturing facilities. Pursuant to the JV Agreement, Loop and SKGC agreed to form a new company (the "JV Company"), which will be headquartered in Singapore. SKGC will contribute 51% and Loop will contribute 49% of the initial equity capital of the JV Company. The JV Agreement outlines that the JV Company will have exclusive rights to commercialize Loop's technology in the Asian market and Loop will receive an annual royalty fee for each of the commercial plants.

The first planned commercial manufacturing facility with Infinite Loop<sup>TM</sup> technology, located in Ulsan, South Korea, is expected to have an annual capacity to supply up to 70,000 metric tons per year of Loop<sup>TM</sup> Loop<sup>TM</sup> PET resin for packaging and polyester fiber applications, and is anticipated was planned to break ground in the first half of 2024. The timing of the facility is currently under review by the partners while they evaluate opportunities to reduce capital costs and carry out discussions with the Korean government for subsidies related to have construction completed in 2026. In addition to Infinite Loop<sup>TM</sup> Ulsan, the two partners have outlined plans which target a minimum of three additional commercial manufacturing facilities to be constructed throughout Asia by 2030. Loop and SKGC have partnered with SK ecoengineering, are also evaluating the opportunity to build a subsidiary of monomer facility in order to capitalize on the SK Group that brings considerable experience large and proficiency as an EPC contractor, growing market and attractive economics for the engineering DMT and construction of the commercial manufacturing facilities. MEG, including lower capital investment requirements for such a facility.

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[\*Infinite Loop<sup>TM</sup> Europe\*](#)

We announced on September 10, 2020 a strategic partnership with SUEZ Group ("Suez"), with the objective to build the first Infinite Loop<sup>TM</sup> manufacturing facility in Europe. On June 16, 2022, Loop, together with Suez and SKGC, announced that the three companies will become equal participants in the strategic partnership.

The expanded partnership intends to combine SKGC's SKGC's petrochemical manufacturing experience with Suez's resource management expertise and Loop's breakthrough proprietary technology to supply up to 70,000 M/T of virgin quality, 100% recycled PET plastic and polyester fiber to the European market. The planned Infinite Loop<sup>TM</sup> Loop<sup>TM</sup> facility will offer a solution to consumer goods companies which have committed to goals for significantly increased use of recycled content in their products and/or packaging and help to meet the growing demand for recycled PET resin and polyester fiber.

On February 16, 2023, the three companies announced that the Chemesis industrial platform in Saint-Avold, located in the Grand Est region of France, has been selected as the site for their planned manufacturing facility in Europe. We are working with our partners Suez and SKGC on acquiring the project site, alignment of various levels of government support and additional steps for the project which include advancing permitting, site specific engineering, customer offtake contracts, feedstock and financing.

[\*Agreement with Reed Management SAS \("Reed"\)\*](#)

On May 30, 2024, the Company and Reed, a European investment firm focused on high impact and technology-enabled infrastructure, entered into definitive binding agreements, subject to certain closing conditions, for an investment of €35 million from Reed to fund the global commercialization of the Infinite Loop™ Technology and have agreed to form a 50/50 joint venture for the European deployment of Loop's technology.

Under the terms of the agreement, which has been signed following the completion by Reed of extensive operational, technical, ESG, and legal due diligence, Reed will provide capital as follows:

- €10M investment in a Convertible Preferred Security to be issued by Loop, which contains a 13% PIK dividend rate and 5-year term; and
- €25M loan to Loop in two equal tranches – first tranche to support global deployment opportunities paid at closing and second tranche to support European deployment opportunities paid in the following 12 months with both tranches having a 13% PIK interest rate and 3-year term;

The closing of the transaction is subject to the fulfillment of certain closing conditions, principally the conditions that (i) Reed shall have successfully completed its first capital raising for its fund; and (ii) Loop shall have received a binding financing commitment from a governmental agency.

The Company understands that Reed's funding negotiations are progressing well. The Company also believes that its process to obtain the government funding is advancing positively. While there can be no assurance that the abovementioned closing conditions will be met, the Company currently anticipates that the transaction should close by the end of the second quarter of the current fiscal year. Due to its current liquidity position, the Company is reviewing contingency plans for bridge financing in the event that the closing extends beyond the end of the second quarter.

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[Product activations with evian, L'Occitane, On AG, and Garnier](#)

Loop has collaborated with multiple customers in recent and upcoming launches for products and product packaging incorporating Loop™ PET manufactured from monomers produced at the Loop's small-scale production facility in Terrebonne, Québec (the "Terrebonne Facility").

In 2021, Loop, in partnership with iconic global beverage brand evian, unveiled a new "evian Loop" prototype virgin-quality water bottle made from 100% recycled content. The monomers used to produce the evian Loop bottles were made at the Terrebonne Facility. Evian began selling water bottles made from Loop™ PET in South Korea in October 2022. The waste plastic used to produce these bottles includes polyester fibers from carpets and clothing which are considered unrecyclable and destined for landfill and other natural environments. This initiative reflects evian's commitment to its stated goal for circularity and 100% recycled content by 2025.

On October 11, 2022, Loop and L'Occitane, a global manufacturer and retailer of sustainable beauty and wellness products, unveiled a new bottle for the brand's Almond Shower Oil that was manufactured using Loop's Terrebonne Facility. The Infinite Loop has partnered with L'Occitane™ Technology. On AG is the first footwear company to help meet launch

a shoe using the brand's sustainability goal of using 100% recycled PET in its bottles by 2025. In partnership with the brand, a pilot project was executed where the bottle (excluding cap and label) was produced using 100% recycled Loop™ PET resin and was successfully carried out on L'OCCITANE production lines. This initiative marks a significant step forward in the partnership between the two companies and sets the pathway to implement Loop's technology across other products in the brand's assortment. As Infinite Loop™ Technology which enables fiber-to-fiber recycling. The Cloudeeasy Cyclon shoe is part of this partnership with L'OCCITANE, Loop's branding is featured prominently on the front of the packaging, with additional details speaking to Loop's technology on the back label.

We also entered into an agreement in May 2022 with On AG to supply Loop AG's monthly subscription service Cyclon™ PET to be utilized in polyester fiber by the brand, pursuant to which Loop where customers receive, wear, and then return Cyclon™ PET resin was delivered in the year ended February 28, 2023.

On April 19, 2023, Loop and Garnier, one of the world's largest mass market beauty brands, launched the brand's first Micellar Cleansing Water All-In-1 bottle made of Loop™ PET produced using monomers from Loop's Terrebonne Facility (excluding cap and label). The Loop logo, featured on the front of this packaging innovation, serves as an anchor to highlight Loop's technology, the quality of materials and the bottle's recyclability. The inclusion of Loop branding on the packaging strongly supports Garnier's sustainability goals by promoting the infinitely recyclable potential of the product and brings awareness to PET plastic circularity. This packaging innovation will first be distributed in Garnier's largest market, the US, and the brand's home market of France. products, which are then recycled.

Loop continues to pursue opportunities for new activations and marketing campaigns with additional consumer goods brand companies.

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#### [Terrebonne Facility](#)

As part of our plan for the commercialization of future Infinite Loop™ manufacturing facilities, we enhanced our Terrebonne, Québec pilot plant to become a small-scale PET depolymerization production facility, incorporating all key pieces of depolymerization equipment that will be used in the full-scale commercial facilities. In addition to our research and development activities, this facility is used to deliver initial production volumes to support co-branded market launch campaigns with partners and customers and will also be used to showcase the Infinite Loop™ end-to-end technology and train operational teams in advance of the commissioning of the Infinite Loop™ full-scale commercial facilities.

On December 22, 2022, we announced that we had reduced hours of operation at the Terrebonne Facility in order to reduce operating costs and preserve liquidity. The primary purpose of the Terrebonne Facility was to demonstrate that Loop's breakthrough depolymerization technology was scalable, and also to produce commercial quantities of virgin quality PET resin and polyester fiber for global brands. We believe the Terrebonne Facility has achieved this objective. We will continue to fulfill existing commitments related to ongoing sales contracts.

In the nine-month period ended November 30, 2023, Loop reported revenues of \$108 from the sale of Loop™ PET resin produced from monomers manufactured at the Terrebonne Facility to several global consumer brands, including those with

whom Loop is collaborating on product launches. In addition to supplying customers with initial volumes of Loop™ PET, the Terrebonne Facility continues to support our customers and partners with R&D and analytical capabilities.

#### Recent Developments

##### *Memorandum of Understanding ("MOU") with Reed Management ("Reed")*

On January 16th, Loop announced that the Company signed a non-binding MOU with Reed, a European investment firm focused on high impact and technology-enabled infrastructure, for US\$66 million in non-dilutive financing as part of a joint venture (the "JV") to roll-out Loop's technology in the European market.

Loop and Reed intend to form a strategic long-term partnership through the establishment of a 50/50 JV to commercialize Loop's technology in Europe. Reed intends to provide financing of €60 million (US\$66 million) in non-dilutive capital. Of this amount, US\$33 million is to be provided to Loop as non-dilutive capital to fund Loop's technology commercialization globally. The remaining US\$33 million is to be invested in the JV.

Under the terms of the MOU, Reed will provide capital as follows:

- US\$11 million equity investment in the JV to acquire from Loop exclusive rights to co-invest alongside Loop in commercialization projects using Loop's technology in Europe through the planned JV between Loop and Reed;
- US\$22 million loan from the JV to Loop in two equal tranches – first tranche paid at closing and second tranche paid in the following 12 months with both tranches having a 10% PIK rate and 3-year term;
- US\$33 million commitment to cover initial costs to develop projects in Europe, including Loop's equity contribution to the previously announced JV to construct an Infinite Loop™ plant in Saint-Avold, France;
- Any subsequent capital injections in the JV will be funded on a 50/50 basis between Reed and Loop.

This intended partnership allows for Loop Industries to reduce the funding needs for its equity contributions to support the rollout of an increased number of facilities to be constructed in the European market using the Infinite Loop™ technology. Loop Industries will receive royalty and engineering fees directly from the planned facilities in Europe.

The non-binding MOU is subject to customary due diligence and the fulfillment of certain pre-closing conditions. The transaction is expected to close by the end of March 2024.

##### *Ulsan ARC Groundbreaking Ceremony*

Loop and SKGC announced on April 27<sup>th</sup>, 2023 that they have signed a joint venture agreement to build Infinite Loop™ facilities in the Asian market. The two companies plan to build four Infinite Loop™ manufacturing facilities throughout Asia by 2030. The first planned facility in Asia will be part of SKGC's Ulsan Advanced Recycling Cluster ("Ulsan ARC") in South Korea.

Daniel Solomita, Loop's Founder and CEO, participated in the groundbreaking ceremony of the Ulsan ARC which took place on November 15<sup>th</sup>, 2023 in South Korea. Mr. Solomita presented the Company's sustainable plastics technology and its Infinite Loop™ manufacturing model at the event, which included attendees ranging from central and local government officials, industry officials, environmental institutions, academic experts, customers and media.

The Ulsan ARC groundbreaking ceremony is a key milestone in the lead-up towards breaking ground on the planned Infinite Loop™ manufacturing facility in the Ulsan ARC, which is expected to take place in the first half of 2024, with construction being completed by 2026.

##### *Loop™ Branded PET Resin Compliant for Pharmaceutical Industry Packaging Applications*

On December 13, 2023, Loop announced that its Loop™ branded PET resin has been tested and is compliant for use in packaging applications in the pharmaceutical industry. The rigorous requirements and standards outlined by the United States Pharmacopeia (USP <661.1>, *Plastic Materials of Construction*) and the European Pharmacopeia (Ph.Eur. 3.1.15, *Polyethylene Terephthalate for Containers for Preparations not for Parenteral Uses*) ensure that materials used in pharmaceutical packaging maintain the highest levels of integrity and do not compromise the safety and efficacy of the enclosed products. Test results

executed by a worldwide leader in laboratory testing services confirm that Loop's PET resin has successfully met these requirements, opening new possibilities for sustainable packaging solutions in the pharmaceutical industry.

The pharmaceutical industry is increasingly recognizing the importance of adopting sustainable practices and materials to reduce its environmental impact. Loop's 100% recycled virgin quality PET can help support pharmaceutical companies with a sustainable packaging alternative and address the growing demand for environmentally responsible choices in the industry.

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### **Market Opportunity**

The estimated global annual market demand for PET plastic and polyester fiber is approximately \$180 billion. We believe plastic pollution and climate change continue to be the most persistently covered environmental issues by media and local and global environmental non-governmental organizations. Some of the main concerns associated with PET are the greenhouse gas ("GHG") emissions associated with its production from non-renewable hydrocarbons and the length of time it persists in landfills and the natural environment. There is an increasing demand for action to address the global plastic crisis, as evidenced by the March 2022 endorsement by 175 nations of a historic resolution at the UN Environmental Assembly to end plastic pollution and forge an international legally binding agreement by the end of 2024. In the last few years, governments in North America, Europe and Asia have been enacting and proposing laws and regulations mandating the use of minimum recycled content in packaging, which underlies the strength of this issue in the marketplace. Consumer brands are seeking a solution to their plastic challenge, and they are taking action. In recent years we have seen major brands make significant commitments to close the loop on their plastic packaging by transitioning their packaging to recyclable materials and by incorporating more recycled content into their packaging.

Global consumer packaged goods companies ("CPG companies"), apparel manufacturers, and retail brands have announced significant public commitments and targets to make the transition to a circular plastic economy, for example:

- Adidas Group aims to replace all virgin polyester with recycled polyester in all of its Adidas products by 2024;
- Danone, the provider of evian® brand bottled water, committed to a goal of using 100% recycled content packaging by 2025;
- Coca-Cola committed to an average recycled content of 50% across its packaging by 2030;
- PepsiCo has set new goals to cut virgin plastic per serving by 50% across its global food & beverage portfolio by 2030 and plans to utilize 50% recycled content in its plastic packaging. In the U.S., the company plans to increase its use of rPET in its bottled products in 2023, with an objective to roll out 100% rPET bottles in multiple U.S. areas by 2030;
- In 2020, L'Occitane committed to implementing 100% recycled content plastic in their bottles by 2025;
- Nike has announced a 2025 target of diverting 100% of its waste from landfills, with at least 80% recycled back into its products and goods;
- L'Oréal Group committed to using 100% recycled or biobased plastic in their packaging by 2030;
- Ikea maintains its goal that, by 2030, all plastic used in its products will be based on renewable or recycled material; and
- By 2025, Lululemon aims to achieve at least 75% sustainable materials for their products, including fibers that are recycled, renewable, regenerative, sourced responsibly and are manufactured using low-resource processes.

There is a growing regulatory and policy environment to encourage a reduction in the production of virgin fossil fuel-based plastic and for minimum recycled content in packaging imposed by various governments:

- North America:

- o Canada has announced a goal of zero-plastic waste by 2030 and is targeting for all plastic packaging to contain 50% recycled content by 2030.
- o California law requires that plastic bottles contain at least 25% post-consumer resin by 2025, and at least 50% by 2030.
- Europe:
  - o As of January 2021, the European Union introduced a new tax of €800/ton on non-recycled plastic packaging based on the amount of plastic packaging placed on each member state's market.
  - o Spain imposed a tax of €450 per ton on non-reusable plastic packaging, effective January 1, 2023.
  - o Italy introduced a tax in January 2023 of €450 per ton on virgin plastic used in manufacture or importation of single use plastic.
  - o Effective April 2022, a new £200/ton tax applies in the UK to plastic packaging produced or imported into the UK that does not contain at least 30% recycled plastic.
  - o France maintains its goal of having 100% plastics recycled by 2025 and 77% of beverage bottles to be collected.
- Asia: South Korea continues to target reduction of plastic waste by 20%, an increase in recycling rates from 54% to 70% by 2025, and utilization of 30% renewable plastic by 2030.

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The growing regulatory environment combined with global consumer goods companies, apparel manufacturers, and retail brand commitments for 2025 and 2030 are expected to further increase the demand for rPET.

Closed-loop circularity and keeping materials within their own cycle (bottle-to-bottle and fiber-to-fiber) is gaining increasing attention as the focus on sustainability intensifies. Governments and regulators have considered or enacted heightened standards for recycled materials that discourage downcycling of bottles into polyester fiber. Additionally, it is becoming increasingly difficult to secure inventory of post-consumer bottles due to the increased demand from the bottle industry as they strive to achieve their own sustainability goals. A fiber-to-fiber recycling strategy addresses these problems and allows fashion brands and companies to secure volume and support the increasing demand of recycled polyester fiber in the textile industry.

We believe the commercialization plans of Loop™ PET resin and polyester fiber may provide the ideal solution for global brands because Loop™ PET resin and polyester fiber contains 100% recycled PET and polyester fiber content. The Loop™ PET resin and polyester fiber is virgin-quality and is suitable for use in food-grade packaging. That means CPG companies will be able to market packaging made from a 100% recycled Loop™ branded PET resin and polyester fiber.

#### **Commercialization Strategy**

Our objective is to achieve global expansion of Loop's technology the Infinite Loop™ Technology through a mix of fully owned manufacturing facilities, strategic partnerships, and licensing agreements. We believe that industrial companies, some of which today may not be in the business of manufacturing DMT, MEG, PET resin, or polyester fiber or other specialty polymers, will view involvement with Infinite Loop™ projects as a significant growth opportunity, which may offer attractive economic returns either as Loop manufacturing partners or as licensees of the technology.

On December 22, 2022, we announced a shift in our commercialization strategy which now focuses on our planned joint venture projects with SKGC in Asia and Europe. These projects have a lower requirement for Loop equity investment and higher expected return on capital, and leverage SKGC's engineering and operational infrastructure. In addition, the joint venture projects will provide Loop with an annual technology licensing fee. SKGC is committed to commercializing Loop's technology as the underpinning of its sustainable plastics strategy. Loop is working collaboratively with SKGC to put in place a financing plan for the rollout of large-scale manufacturing in Asia and Europe, including the first Asian manufacturing facility in Ulsan, South Korea, which is anticipated to break ground in the first half of 2024 and to have construction completed in 2026.

The global expansion plan for our technology will allow our customers, mostly comprised of CPG brand companies and apparel companies, to expand the use of Loop™ PET resin and polyester fiber into their packaging and clothing. As countries around the globe continue to increase sustainability targets and recycled content mandates, our customers are increasing the use of sustainably produced materials into their products.

The Infinite Loop™ manufacturing technology Technology is the key pillar of our commercialization blueprint. We believe our technology is at the forefront of the global transition away from fossil fuels and petrochemicals and into the circular economy, where PET plastic and polyester fiber are produced by recycling waste plastic rather than depleting finite resources. The Infinite Loop™ manufacturing technology Technology allows for waste PET plastic and polyester fiber to be broken down into its base building blocks, monomers DMT and MEG, using Loop's patented technology. Once the monomers are purified, they are then can be sold directly to chemical companies, used in the production of specialty polymers, or repolymerized into PET plastic or polyester fiber using INVISTA know how, which Loop licenses, and Chemtex Global Corporation's engineering. The INVISTA polymerization process and the associated designs are historically proven in the commercial production of PET resin and polyester fiber.

We have completed our basic design package for the Infinite Loop™ full-scale manufacturing facilities. The engineering philosophy we have adopted is "design one, build many." This approach allows for the basic design package to be used as the base engineering platform for all future geographical expansion. We believe this approach allows for quick execution, speed to market, and lends itself well to modular construction. The basic design package has a capacity of up to 70,000 M/T of rDMT and 23,000 M/T of rMEG, or 70,000 M/T of PET resin output per year. Permitting, site and regulatory considerations may impact plant capacity.

On May 1, 2024, we announced our strategic partnership with Ester to build and operate an Infinite Loop™ manufacturing facility in India which will produce a unique product offering of lower carbon footprint rDMT, rMEG and specialty polymers, using the Infinite Loop™ Technology. Loop has a well-established working relationship with Ester, which has nearly 40 years of specialized polymer production, operational proficiency, and local expertise, including sourcing of PET plastic and polyester fiber waste feedstocks. The rDMT and rMEG product offerings expected to be manufactured at the Infinite Loop™ India facility represent a strategic product expansion in a low-cost manufacturing environment which we believe complements Loop's existing PET plastic and polyester fiber manufacturing business and will fuel growth by addressing the large and growing demand in the market. We believe this expansion will enable the Infinite Loop™ Technology to reach new markets and cater to a broader range of customers across multiple industries including electronics, automotive, textile, cosmetics and packaging.

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The India facility will leverage the Infinite Loop™ Technology and existing engineering package which should accelerate the lead-time towards groundbreaking, expected to occur by end of 2024. Feedstock sourcing for the facility, in which there is abundant supply from textile waste in India, is well advanced and the partners have engaged an external firm to source and secure the land for the facility. Construction is expected to be completed by the end of 2026, with commercial operations commencing in early 2027. Loop will receive an annual technology license fee from the Infinite Loop™ manufacturing facility in India.

We are also focused on our planned joint venture projects with SKGC in Asia and Europe to build and operate Infinite Loop™ manufacturing facilities producing and selling Loop™ PET resin and polyester fiber. These projects leverage SKGC's engineering and operational infrastructure. In addition, the joint venture projects will provide Loop with an annual technology licensing fee. SKGC is committed to commercializing Loop's technology as the underpinning of its sustainable plastics strategy. Loop is working collaboratively with SKGC to put in place a financing plan for the rollout of large-scale manufacturing in Asia and Europe, including the planned Asian manufacturing facility in Ulsan, South Korea.

The planned Infinite Loop™ commercial manufacturing facility in Ulsan, South Korea, is expected to have an annual capacity to supply up to 70,000 metric tons per year of Loop™ PET resin for packaging and polyester fiber applications, and was planned to break ground in the first half of 2024. The timing of the facility is currently under review by the partners while they evaluate opportunities to reduce capital costs and carry out discussions with the Korean government for subsidies related to the facility. Loop and SKGC are also evaluating the opportunity to build a monomer facility in order to capitalize on the large and growing market and attractive economics for DMT and MEG, including lower capital investment requirements for such a facility.

The global expansion plan for our technology will allow our customers, mostly comprised of CPG brand companies, apparel companies, and chemical companies, to integrate Loop™ PET resin, polyester fiber, rDMT and rMEG into their products and packaging. As countries around the globe continue to increase sustainability targets and recycled content mandates, our customers are increasing the use of sustainably produced materials into their products.

Our market strategy is to assist global consumer goods brands in meeting their public sustainability commitments by offering co-branded packaging or polyester fibers that are made with Loop 100% recycled, virgin-quality MEG, DMT, PET or polyester fibers. We believe that Loop™ recycled PET resin and polyester fiber could command premium pricing over virgin, petroleum-based PET resin and provide attractive economic returns. We are targeting multi-year take or pay offtake agreements for planned Infinite Loop™ production. Factors under consideration in determining project economics include the feasibility design engineering and cost estimate work, timing and permitting of a facility, customer offtake demand, commitment terms, and feedstock sources, quality, availability, PET bale index pricing, logistics, and ramp up, among others.

## **Proprietary Technology and Intellectual Property**

We believe the power of our technology lies in its The Company's ability to use post-industrial move to the next stage of its strategic development and post-consumer waste PET plastic and polyester fiber feedstocks, which could end up in landfills, rivers, oceans and natural areas, to create Loop™ PET resin. We believe our technology can deliver high-purity profitable virgin-quality, 100% recycled PET resin suitable for use in food-grade packaging and polyester fiber.

Our Generation II technology ("GEN II") construct manufacturing plants is a methanolysis-based depolymerization technology that uses temperatures below 90 °C to depolymerize waste PET and polyester fiber. The low temperature offers several key

advantages which dependent on, among other factors, whether the Company believes will improve its ability to commercialize can obtain the GEN II technology, including;

- Lower energy usage during depolymerization, and therefore reduced processing cost and lower GHG emissions relative to higher temperature processes;
- Avoidance of side reactions with non-PET waste, which are inherent in waste PET feedstock streams, during depolymerization which may occur during higher temperature and higher pressure depolymerization processes. This allows for a simplified distillation purification process resulting in fewer, and more effective, steps to isolate the desired high purity DMT and MEG monomers suitable to produce virgin-quality PET required to meet food contact regulations as well as the quality and clarity requirements of global consumer product companies;
- Allowing the depolymerization of less costly and low-quality feedstocks, which cannot be effectively recycled today, such as carpet fiber, clothing and mixed plastics, and upcycling them into high-quality PET that can be used in food contact use; and
- The GEN II technology uses only trace amounts of water, eliminates the need for a halogenated solvent and uses a catalyst at low concentration.

We believe that GEN II requires less energy and fewer resource inputs than conventional PET production processes. We also believe it is an environmentally sustainable method for producing virgin-quality food-grade PET plastic by decoupling PET manufacturing from the fossil fuel industry.

To independently validate that our GEN II technology can produce DMT and MEG monomers at mini-pilot and pilot scale, we commissioned Kemitek, a College Centre for Technology Transfer specialized in the fields of green chemistry and chemical process scale-up. Kemitek's findings allowed them to confirm that our technology produces monomers that meet our purity specifications for the production of PET resin and polyester fiber. The complete Kemitek report was filed with the SEC by the Company on December 14, 2020.

Additionally, Loop's strategic partners, Suez and Danone, among others, collectively engaged an independent, globally recognized third-party engineering firm to execute a thorough due diligence and technology validation report. We believe the final report, which was communicated in May 2022, validated and reinforced the quality, effectiveness, and scalability of our technology. Our technology was further validated in March 2023, when Loop and SKGC announced the successful completion of the technical due diligence conducted by SKGC. Key parameters of Loop's technology that were validated necessary financing through SKGC's comprehensive due diligence include the production yields, operational stability, quality of the output monomers and overall performance of Loop's Terrebonne Facility. The technical due diligence validated that the PET resin and polyester fiber produced using Loop's technology is of virgin quality.

To protect our technology and intellectual property rights, we rely on a combination of patents, trademarks, trade secrets, confidentiality agreements and provisions as well as other contractual provisions to protect our proprietary rights, which are primarily our patents, brand names, product designs and marks.

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The GEN II technology portfolio currently consists the issuance of four patent families:

- One family has three issued U.S. patents, and two pending U.S. applications, the last of which is expected to expire on or around September 2037, not including any patent term extensions. Internationally, this patent family has nine issued or allowed patents in foreign jurisdictions, including China, Bangladesh, Argentina, Taiwan, and Brazil, and pending applications in Canada, China, the Eurasian Patent Organization, Europe, the Gulf Cooperation Council, India, Japan, Mexico, South Korea, and various other countries, all expected to expire on or around September 2038, if granted, not including any patent term extensions.
- An additional aspect of the GEN II technology, as claimed in two issued U.S. patents and a pending U.S. application, all expected to expire on or around June 2039, not including any patent term extensions. Internationally, this patent family includes seven issued or allowed patents in foreign jurisdictions, including China, Morocco, Algeria, Indonesia and Bangladesh, and pending applications in Canada, China, the Eurasian Patent Organization, Europe, the Gulf Cooperation Council, India, Japan, Mexico, South Korea, and various other countries, all expected to expire on or around June 2039, if granted, not including any patent term extensions.
- Another aspect of the GEN II technology, which is the subject of an issued U.S. patent and a pending U.S. application, both expected to expire on or around March 2040, not including any patent term extensions. Internationally, this patent family includes pending applications in Canada, Europe, India, Singapore, Papua New Guinea, Brazil, and South Africa.
- Another aspect of the GEN II technology, which is the subject of two issued U.S. patents and a pending U.S. application, both expected to expire on or around March 2040, not including any patent term extensions. Internationally, this patent family includes four issued or allowed patents in foreign jurisdictions, including Europe, Chile, Bangladesh and South Africa, and pending applications in Canada, China, Korea, the Eurasian Patent Organization, the Gulf Cooperation Council, India, Japan, Mexico, and various other countries, all expected to expire on or around March 2040, if granted, not including any patent term extensions.
- We have also filed a U.S. provisional application directed to another aspect of the GEN II technology. Any patents that ultimately issue from this application are expected to expire on or around September 2044, not including any patent term adjustment or extensions.

Loop owns registrations for its trademarks in Cambodia, Canada, China, the European Union, Japan Taiwan, the United Kingdom, Vietnam and the U.S. Loop also has pending applications in Canada, China, South Korea, and the U.S.

#### Government Regulation and Approvals

As we seek to further develop and commercialize our technology, we will be subject to extensive and frequently developing federal, state, provincial and local laws and regulations. Compliance with current and future regulations, including food packaging regulations, could increase our operational costs.

Our operations require various governmental permits and approvals. We are in the process of obtaining all necessary permits and approvals for the operation of our business; however, any of these permits debt, equity, and/or approvals may be subject to denial, revocation joint ventures, and/or modification under various circumstances. Failure to obtain government incentive programs and/or comply with the conditions of permits and approvals or to have the necessary approvals in place may adversely affect our operations and may subject us to penalties. See "Risk Factors" below for additional information.

We believe that if we are successful in addressing food packaging regulations in various countries and economic regions, the regulatory environment may provide Loop™ PET resin a competitive advantage relative to mechanically recycled alternative resins and virgin PET.

Loop's PET resin was subjected to independent testing by an external and certified laboratory, which confirmed the PET complies with FDA Regulation 21 CFR § 177.1630 on August 26, 2021, as well as EU Commission Regulation No 10/2011 on July 27, 2021. These results attest that Loop's PET is safe for use in food-contact applications, including but not limited to

bottled water, carbonated drinks and food trays. Demonstration of compliance with food-contact requirements follows the No Objection Letter ("NOL") from the FDA previously granted to Loop in March 2021. The NOL confirms that Loop's monomers can produce rPET of a purity suitable for food-contact use, provided it meets the applicable requirements of Title 21 of the Code of Federal Regulations. The monomers used in the PET resin submitted for testing were produced at Loop's small-scale production facility in Terrebonne, Québec (the "Terrebonne Facility").

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We have received from the European Chemicals Agency a confirmation of registration for our MEG on November 17, 2020, and for our DMT on December 7, 2020. The registration under the *Registration, Evaluation, Authorization and Restriction of Chemicals* ("REACH") Regulation (EC 1907/2006) confirms that our monomers are of a purity equal to what is currently recognized within Europe and entitles us to manufacture/import the monomers into Europe. It should be noted that MEG and DMT are on the positive list for plastic materials, which means that the two monomers can be used as food contact materials. On August 31, 2021, Loop also received a NOL from Health Canada, which states that the PET produced by Loop's recycling process is suitable for use in the manufacture of water bottles and articles for contact with all food types under all conditions of use.

On December 13, 2023, Loop announced that its Loop™ branded PET resin has been tested and is compliant for use in packaging applications in the pharmaceutical industry. The rigorous requirements and standards outlined by the United States Pharmacopeia (USP <661.1>, *Plastic Materials of Construction*) and the European Pharmacopeia (Ph.Eur. 3.1.15, *Polyethylene Terephthalate for Containers for Preparations not for Parenteral Uses*) ensure that materials used in pharmaceutical packaging maintain the highest levels of integrity and do not compromise the safety and efficacy of the enclosed products. Test results executed by a worldwide leader in laboratory testing services confirm that Loop's PET resin has successfully met these requirements, opening new possibilities for sustainable packaging solutions in the pharmaceutical industry. customers.

## Human Capital

As of November 30, 2023 May 31, 2024, we had 6054 employees of which 2220 work in research and development, 2421 in engineering and operations, and 1413 in administrative functions.

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## Results of Operations

### Three Months Ended November 30, 2023

The following table summarizes our operating results for the three-month periods ended November 30, 2023 May 31, 2024 and 2022, 2023, in thousands of U.S. Dollars.

Three months ended November 30,	Three months ended May 31,
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	2023	2022	Change	2024	2023	Change favorable / (unfavorable)
<b>Revenue from contracts with customers</b>	<b>\$ 26</b>	<b>\$ 25</b>	<b>\$ 1</b>	<b>\$ 6</b>	<b>\$ 27</b>	<b>\$ (21)</b>
<b>Expenses</b>						
Research and development						
Machinery and equipment expenditures				<b>3</b>	<b>1,236</b>	<b>1,233</b>
External engineering				<b>628</b>	<b>1,155</b>	<b>527</b>
Employee compensation	<b>1,107</b>	<b>1,540</b>	<b>(433)</b>	<b>1,015</b>	<b>1,286</b>	<b>271</b>
Stock-based compensation	<b>161</b>	<b>455</b>	<b>(294)</b>	<b>129</b>	<b>160</b>	<b>31</b>
Machinery and equipment expenditures	<b>4</b>	<b>1,059</b>	<b>(1,055)</b>			
External engineering	<b>262</b>	<b>707</b>	<b>(445)</b>			
Plant and laboratory operating expenses	<b>322</b>	<b>916</b>	<b>(594)</b>	<b>270</b>	<b>469</b>	<b>199</b>
Tax credits	<b>(221)</b>	<b>(300)</b>	<b>79</b>			
Other	<b>198</b>	<b>205</b>	<b>(7)</b>	<b>192</b>	<b>184</b>	<b>(8)</b>
Total research and development	<b>1,833</b>	<b>4,582</b>	<b>(2,749)</b>	<b>2,237</b>	<b>4,490</b>	<b>2,253</b>
General and administrative						
Professional fees				<b>1,255</b>	<b>619</b>	<b>(636)</b>
Employee compensation	<b>599</b>	<b>492</b>	<b>107</b>	<b>635</b>	<b>637</b>	<b>2</b>
Stock-based compensation	<b>236</b>	<b>419</b>	<b>(183)</b>	<b>241</b>	<b>196</b>	<b>(45)</b>
Professional fees	<b>720</b>	<b>1,278</b>	<b>(558)</b>			
Insurance	<b>645</b>	<b>710</b>	<b>(65)</b>	<b>492</b>	<b>703</b>	<b>211</b>
Other	<b>258</b>	<b>284</b>	<b>(26)</b>	<b>288</b>	<b>310</b>	<b>22</b>
Total general and administrative	<b>2,458</b>	<b>3,183</b>	<b>(725)</b>	<b>2,911</b>	<b>2,465</b>	<b>(446)</b>
Gain on disposition of assets	<b>-</b>	<b>(6,704)</b>	<b>6,704</b>			
Depreciation and amortization	<b>131</b>	<b>134</b>	<b>(3)</b>	<b>137</b>	<b>133</b>	<b>(4)</b>
Interest and other financial expenses	<b>42</b>	<b>54</b>	<b>(12)</b>	<b>60</b>	<b>54</b>	<b>(6)</b>

Interest income	(166)	(13)	(153)			
Foreign exchange gain	(28)	(198)	170			
<b>Total expenses</b>	<b>4,270</b>	<b>1,038</b>	<b>3,232</b>	<b>5,195</b>	<b>7,028</b>	<b>1,833</b>
<b>Net loss</b>	<b>\$ (4,244)</b>	<b>\$ (1,013)</b>	<b>\$ (3,231)</b>	<b>\$ (5,189)</b>	<b>\$ (7,001)</b>	<b>\$ 1,812</b>

**First Quarter Ended May 31, 2024**

#### Revenues

Revenues for the three-month period ended November 30, 2023 increased \$1 May 31, 2024 decreased \$21 to \$26, \$6, as compared to \$25 \$27 for the same period in 2022, 2023. The revenues resulted from the delivery of initial volumes to customers of Loop™ Loop™ PET resin produced using monomers manufactured at the Terrebonne Facility. Facility.

#### Research and Development

Research and development expense for the three-month period ended November 30, 2023 May 31, 2024 decreased \$2,749 \$2,253 to \$1,833, \$2,237, as compared to \$4,582 \$4,490 for the same period in 2022, 2023. The decrease was primarily attributable to a \$1,055 \$1,233 decrease in purchases of machinery and equipment for used at the Terrebonne Facility, a \$594 decrease in plant and laboratory operating expenses, a \$445 \$527 decrease in external engineering costs for design work for our Infinite Loop™ manufacturing process, a \$433 \$271 decrease in employee compensation expenses, and a \$294 \$199 decrease in stock-based compensation expenses. plant and laboratory expenses at our Terrebonne Facility.

#### General and administrative expenses

General and administrative expenses for the three-month period ended November 30, 2023 decreased \$725 May 31, 2024 increased \$446 to \$2,458, \$2,911, as compared to \$3,183 \$2,465 for the same period in 2022, 2023. The decrease increase was primarily attributable to a \$558 decrease \$636 increase in professional fees which is mainly attributable to legal costs related to our partnerships with Reed and Ester. This increase was partially offset by a \$183 \$211 decrease in stock-based compensation expenses. insurance costs.

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#### Net Loss

The net loss for the three-month period ended November 30, 2023 increased \$3,231 May 31, 2024 decreased \$1,812 to \$4,244, \$5,189, as compared to \$1,013 \$7,001 for the same period in 2022, 2023. The increase is decrease was primarily due to a gain on disposition the decrease of assets of \$6,704 recorded in the three-month period ended November 30, 2022 related to

the Company's sale of land in Bécancour, Québec, partially offset by the \$2,749 decrease \$2,253 in research and development expenses and the decrease in partially offset by increased general and administrative expenses of \$725.

### Nine months Ended November 30, 2023

The following table summarizes our operating results for the nine-month periods ended November 30, 2023 and 2022, in thousands of U.S. Dollars.

	Nine months ended November 30,		
	2023	2022	Change
<b>Revenue from contracts with customers</b>	\$ 108	\$ 160	\$ (52)
<b>Expenses</b>			
Research and development			
Employee compensation	3,611	5,179	(1,568)
Stock-based compensation	476	1,171	(695)
Machinery and equipment expenditures	1,240	4,133	(2,893)
External engineering	1,558	2,914	(1,356)
Plant and laboratory operating expenses	1,238	2,366	(1,128)
Tax credits	(269)	(1,207)	938
Other	507	577	(70)
Total research and development	8,361	15,133	(6,772)
General and administrative			
Employee compensation	1,884	1,929	(45)
Stock-based compensation	664	8,799	(8,135)
Professional fees	2,251	3,841	(1,590)
Insurance	2,058	2,883	(825)
Other	910	778	132
Total general and administrative	7,767	18,230	(10,463)
Gain on disposition of assets	-	(6,704)	6,704
Depreciation and amortization	400	411	(11)
Interest and other financial expenses	140	139	1
Interest income	(484)	(36)	(448)
Foreign exchange gain	(81)	(289)	208
<b>Total expenses</b>	<b>16,103</b>	<b>26,884</b>	<b>(10,781)</b>
<b>Net loss</b>	<b>\$ (15,995)</b>	<b>\$ (26,724)</b>	<b>\$ 10,729</b>
<b>Revenues</b>			

Revenues for the nine-month period ended November 30, 2023 decreased \$52 to \$108, as compared to \$160 for the same period in 2022. The revenues resulted from the delivery of initial volumes to customers of Loop™ PET resin produced using monomers manufactured at the Terrebonne Facility.

#### *Research and Development*

Research and development expense for the nine-month period ended November 30, 2023 decreased \$6,772 to \$8,361, as compared to \$15,133 for the same period in 2022. The decrease was primarily attributable to a \$2,893 decrease in purchases of machinery and equipment for the Terrebonne Facility, a \$2,263 decrease in employee compensation expenses, including stock-based compensation, a \$1,356 decrease in external engineering costs for design work for our Infinite Loop™ manufacturing process, and a \$1,128 decrease in plant and laboratory operating expenses, partially offset by a decrease in tax credits accounted for as a reduction of R&D expenses of \$938.

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#### *General and administrative expenses*

General and administrative expenses for the nine-month period ended November 30, 2023 decreased \$10,463 to \$7,767, as compared to \$18,230 for the same period in 2022. The decrease was primarily attributable to a \$8,135 decrease in stock-based compensation which is mostly related to a \$7,740 expense recorded in relation to the achievement of a performance milestone for 1,000,000 RSUs in the nine-month period ended November 30, 2022, a \$1,590 decrease in professional fees, and a \$825 decrease in insurance costs.

#### *Net Loss*

The net loss for the nine-month period ended November 30, 2023 decreased \$10,729 to \$15,995, as compared to \$26,724 for the same period in 2022. The decrease is primarily due to the decrease in general and administrative expenses of \$10,463, and the \$6,772 decrease in research and development expenses, partially offset by a gain on disposition of assets of \$6,704 recorded in the three-month period ended November 30, 2022 related to the Company's sale of land in Bécancour, Québec. \$446.

## **LIQUIDITY AND CAPITAL RESOURCES**

#### **Liquidity**

Since its inception, the Company has been in the pre-commercialization stage with limited no material revenues, with and its ongoing operations and commercialization plans have been financed primarily by raising equity, equity and debt. Therefore, the Company has incurred net losses and negative cash flow from operating and investing activities since its inception and expects to incur additional net losses while it continues to develop and plan for commercialization. To date, we have been successful in raising capital to finance our ongoing operations. Our liquidity position consists of cash and cash equivalents on hand of \$9,366 \$5,291 at November 30, 2023 and an undrawn senior loan facility from a Canadian bank of \$2,577. May 31, 2024. Our liquidity position is subject to risks and uncertainties, including those discussed under "Cautionary Statements Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and the Risk Factors section included in Part I, Item 1A of our 2023 2024 Annual Report on Form 10-K.

Management actively continuously monitors the Company's cash resources against the Company's its short-term cash commitments to ensure the Company has there is sufficient liquidity to fund its costs for at least twelve months from the financial statement issuance date. Management evaluates the Company's liquidity to determine if there is substantial doubt about the Company's its ability to continue as a going concern. In preparing this liquidity going concern assessment, management applies significant judgment in estimating future cash flow requirements of the Company based on budgets and forecasts, which includes developing assumptions related to: (i) to the estimation of amount and timing of future cash outflows and inflows. Based on its assessment, management estimates that current available liquidity and forecasted net cash inflows and (ii) determining what future expenditures are committed and what could flows will not be considered discretionary. Management prepared sufficient to meet the Company's obligations, commitments and budgeted expenditures the next twelve months from the consolidated financial statements on issuance date. These events and conditions are material uncertainties that raise substantial doubt upon the Company's ability to continue as a going concern basis in accordance with ASC 205-40, as management believes and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to move to the next stage of its strategic development and construct manufacturing plants is dependent on, among other factors, whether the Company can obtain the necessary financing through a combination of the issuance of debt, equity, and/or joint ventures, and/or government incentive programs and/or customers. However, there is no assurance that the Company will be able to realize its assets and discharge its liabilities successful in the normal course of operations as they become due for a period of no less than 12 months from the date of issuance of these unaudited interim condensed consolidated financial statements.

Management continues to pursue our growth strategy and attracting additional funding. Even if additional financing is evaluating our financing plans to continue to raise capital to finance the start-up of commercial operations and continue to fund our ongoing operations. We will require a significant amount of capital to fund our growth as we invest in our planned commercial facilities in Europe, Asia and North America, as well as additional research and development. In addition to our cash on hand, we may also raise additional capital through equity offerings or debt financings, government incentives, as well as through collaborations or strategic alliances to execute our growth strategy. Such financing will depend on many factors, including actual construction costs of the planned commercial facilities, potential delays in our supply chain, and our ability to secure customers, which available, it may not be available on terms favorable to the Company. Failure to secure additional financing on favorable terms when it becomes required would have an adverse effect on the Company's financial position and on its ability to execute its business plan. The Company is seeking to finalize the negotiation of previously announced financing initiatives on acceptable terms, if at all. If we are unable to raise additional capital when required, our business, financial condition and results of operations would be adversely affected.

In December 2021, the Company entered into an agreement for the purchase of long-lead equipment for up to \$8,546 which can be used in any Infinite Loop™ manufacturing facility. As of November 30, 2023, the Company has paid an aggregate of \$8,460 in cash deposits. This amount, along with engineering and development costs that have been and may continue to be incurred, although there is currently expected to be recovered from the JV Company when construction begins on the Infinite Loop™ Ulsan facility. The total estimated recoverable amount of \$16,000 has not been recognized in the interim unaudited financial statements included in this Quarterly Report. no assurance it will succeed.

We have a long-term debt obligation to Investissement Québec in connection with a financing facility (the "Financing Facility") for the expansion of the Terrebonne Facility up to a maximum of \$3,387. We received the first disbursement in the amount of \$1,627 on February 21, 2020 and the second disbursement in the amount of \$1,760 on August 26, 2021. The loan can be repaid at any time by us without penalty. The loan bears interest at a rate of 2.36% and there was a 36-month moratorium on both capital and interest repayments as of the first disbursement date. Under the original terms of the financing facility, at the end of the 36-month moratorium, capital and interest was repayable in 84 monthly installments. There is no remaining amount available under the Financing Facility after the second disbursement. On November 21, 2022, the Company and Investissement Québec entered into an agreement to amend the existing Financing Facility which modifies the repayments of the principal amount (the "Financing Facility Amendment"). As per the Financing Facility Amendment, a total of \$37 of the principal amount is repayable in monthly installments in the fiscal year ending February 29, 2024 and the remainder of the principal amount is repayable in 72 monthly installments. The Financing Facility Amendment does not modify the interest rates, the repayment terms of accrued interest or any other terms of the Financing Facility.

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On February 28, 2024, the Company and Investissement Québec entered into an agreement to amend the existing Financing Facility which modified the repayments of the principal amount (the "Second Financing Facility Amendment"). As per the Second Financing Facility Amendment, a total of \$74 of the principal amount is repayable in monthly installments in the fiscal year ending February 28, 2025, with the remainder of the principal amount being repayable in 60 monthly installments. Pursuant to the Second Financing Facility Amendment the interest rate of the Financing Facility was increased from 2.36% to 3.36%. The Second Financing Facility Amendment did not modify the repayment terms of accrued interest or any of the other terms of the Financing Facility that are not mentioned above.

Under the terms of the Financing Facility, Investissement Québec was also issued warrants to purchase shares of our common stock in an amount equal to 10% of each disbursement up to a maximum aggregate amount of \$339. The warrants were issued at a price per share equal to the higher of (i) \$11.00 per share and (ii) the ten-day weighted average closing price of Loop Industries shares of common stock on the Nasdaq stock market for the 10 days prior to the issue of the warrants. The warrants can be exercised immediately upon grant and have a term of three years from the date of issuance. On February 21, 2020, upon the receipt of the first disbursement under this facility, we issued a warrant to purchase 15,153 shares of common stock at a price of \$11.00 to Investissement Québec, which expired in February 2023. On August 26, 2021, upon the receipt of the second disbursement under this facility, we issued a warrant to purchase 17,180 shares of common stock at a price of \$11.00 to Investissement Québec, which remains outstanding. There is no remaining amount available under the Financing Facility after the second disbursement.

On July 26, 2022, Loop Canada, Inc., a wholly-owned subsidiary of the Company, entered into an Operating Credit Facility (the "Credit Facility") with a Canadian bank. The Credit Facility allows for borrowings of up to \$2,577 in aggregate principal amount and provides for a two-year term. The Credit Facility is secured by the Company's Terrebonne, Québec property and is subject to a minimum equity covenant, tested quarterly. All borrowings under the Credit Facility will bear interest at an annual rate equal to the bank's

Canadian prime rate (as defined in plus 1.0%. As at May 31, 2024, the Company borrowed \$2,517 under the Credit Facility) plus 1.0%. The Company is subject to a guarantee of the liabilities of Loop Canada Inc. As at November 30, 2023, the Credit Facility was undrawn. Facility.

## Flow of Funds

### Summary of Cash Flows

A summary of cash flows for the three months ended November 30, 2023 May 31, 2024 and 2022 was as follows, in thousands of U.S. Dollars:

	<b>Three Months Ended</b>	
	<b>November 30,</b>	
	<b>2023</b>	<b>2022</b>
Net cash used in operating activities	\$ (14,762)	\$ (25,012)
Net cash provided from (used in) investing activities	(5,453)	6,995
Net cash used by financing activities	(47)	-
Effect of exchange rate changes on cash	37	(419)
Net (decrease) increase in cash	<u>\$ (20,255)</u>	<u>\$ (18,436)</u>

	<b>Three Months Ended May</b>	
	<b>31,</b>	
	<b>2024</b>	<b>2023</b>
Net cash used in operating activities	\$ (3,915)	\$ (5,504)
Net cash used in investing activities	(176)	(2,122)
Net cash provided by (used in) financing activities	2,492	(16)
Effect of exchange rate changes on cash	(68)	21
Net decrease in cash	<u>\$ (1,667)</u>	<u>\$ (7,621)</u>

### Net Cash Used in Operating Activities

During the nine-month three-month period ended November 30, 2023 May 31, 2024, we used \$14,762 \$3,915 in operations compared to \$25,012 \$5,504 during the same three-month period in 2022 ended May 31, 2023. As discussed above in the Results of Operations, the year-over-year decrease is mainly due to decreased operating expenses as we have completed the upgrade of the Terrebonne Facility and our basic design package for the Infinite Loop™ full-scale manufacturing facilities, partially offset by increased legal costs related to our partnerships with Reed and Ester.

### Net Cash Used in Investing Activities

During the nine-month period three months ended November 30, 2023 May 31, 2024, we used \$5,453 \$176 in investing activities compared to cash provided from investing activities of \$6,995 \$2,122 during the same three-month period in 2022, ended May 31, 2023. During the nine-month period three months ended November 30, 2023, we made \$5,065 in deposits on long-lead equipment for use in a commercial project, as compared to \$1,271 for the same period in 2022. During the nine-month period ended November 30, 2023 May 31, 2024, we made investments in intangible assets of \$378, as compared to \$225 for the same period in 2022, \$176, particularly in our patent technology in the United States and around the world. During the nine-month period three months ended November 30, 2022 May 31, 2023, we sold land made \$2,023 in Bécancour, Québec deposits on machinery and equipment for cash proceeds use in a commercial project, and we made investments in intangible assets of \$8,559. \$99.

### Net Cash (Used) Provided by (Used in) Financing Activities

During the three months ended November 30, 2023 May 31, 2024, we borrowed \$2,517 under the Credit Facility and we repaid \$25 of long-term debt. During the three months ended May 31, 2023, we repaid \$47 \$16 of long-term debt.

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### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined by Rule 229.10(f)(1).

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Management’s Evaluation of our Disclosure Controls and Procedures**

##### **A. Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Quarterly Report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of November 30, 2023 May 31, 2024.

## **B. Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended November 30, 2023 May 31, 2024 that materially affected, or were are reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

#### **SEC Investigation**

As previously disclosed, we received a subpoena from the SEC in October 2020 requesting certain information from us, including information regarding testing, testing results and details of results from our GEN I and GEN II technologies, and certain of our partnerships and agreements. In March 2022, we received a second subpoena requesting additional information, including information concerning our reverse-merger in 2015, and communications with certain individuals and entities. There have been no additional information requests from the SEC relating to the Company's business or technology.

The SEC informed us that its investigation does not mean that the SEC has concluded that anyone has violated the law and that the investigation does not mean that the SEC has a negative opinion of us. We cannot predict when this matter will be resolved or what, if any, action the SEC may take following the conclusion of the investigation.

On September 30, 2022, the SEC filed a complaint (the "SEC complaint") against several named defendants ("Defendants"), and also identified as a relief defendant Daniel Solomita, our Chief Executive Officer. The SEC complaint does not allege wrongdoing by the Company or Mr. Solomita. The SEC complaint identifies Mr. Solomita and an entity he owns as relief defendants because they purportedly received monies from the Defendants in 2015 that the SEC alleges were derived from the Defendants' fraud. The SEC complaint does not allege that Mr. Solomita was aware of the alleged wrongdoing by the Defendants and does not allege that he was aware that any alleged monies received were derived from fraud.

#### **Litigation**

From time to time, we may become involved in various lawsuits and legal proceedings or investigations which arise in the ordinary course of business. Except as noted above, we are not presently a party to any legal proceedings, government actions, administrative actions, investigations or claims that are pending against us or involve us that, in the opinion of our management, could reasonably be expected to have a material adverse effect on our business, financial condition or operating results. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

It is possible that we may expend financial and managerial resources in the defense of our intellectual property rights in the future if we believe that our rights have been violated. It is also possible that we may expend financial and managerial resources to defend against claims that our products and services infringe upon the intellectual property rights of third parties.

#### **ITEM 1A. RISK FACTORS**

We are subject to various risks and uncertainties in the course of our business. Risk factors relating to us are set forth under "Risk Factors" in our Annual Report on Form 10-K, filed on **May 18, 2023** **May 29, 2024**. No material changes to such risk factors have occurred during the three months ended **November 30, 2023** **May 31, 2024**.

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#### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

#### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

#### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

#### **ITEM 5. OTHER INFORMATION**

None. During the three months ended May 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

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**ITEM 6. EXHIBITS**

The following Exhibits, as required by Item 601 of Regulation SK, are attached or incorporated by reference, as stated below.

**Exhibit Index**

<b>Incorporated by Reference</b>										
<b>Incorporated by Reference</b>										
Number	Description	Form	File No.	Filing Date	Exhibit No.	Description	Form	File No.	Filing Date	Exhibit No.
3.1	<u>Articles of Incorporation, as amended to date</u>	10-K	000-54768	May 30, 2017	3.1	<u>Articles of Incorporation, as amended to date</u>	10-K	001-38301	May 29, 2024	3.1
3.2	<u>By-laws, as amended to date</u>	8-K	000-54768	April 10, 2018	3.1	<u>By-laws, as amended to date</u>	8-K	001-38301	April 10, 2018	3.1
10.1*	<u>Share Purchase Agreement, dated May 30, 2024 by and between Loop Industries, Inc. and Reed Management SAS.</u>									
10.2*+	<u>Joint Venture Agreement, dated May 1, 2024, by and among Ester Industries Limited and Loop Industries, Inc.</u>									
	Filed herewith									

31.1	<p><u>Certification</u>  <u>of Principal</u>  <u>Executive</u>  <u>Officer</u>  <u>pursuant to</u>  <u>Section 302</u>  <u>of the</u>  <u>Sarbanes-</u>  <u>Oxley Act of</u>  <u>2002.</u></p> <p><u>Certification</u>  <u>of Principal</u>  <u>Financial</u>  <u>Officer</u>  <u>pursuant to</u>  <u>Section 302</u>  <u>of the</u>  <u>Sarbanes-</u>  <u>Oxley Act of</u>  <u>2002.</u></p> <p><u>Certification</u>  <u>of Principal</u>  <u>Executive</u>  <u>Officer</u>  <u>pursuant to</u>  <u>Section 906</u>  <u>of the</u>  <u>Sarbanes-</u>  <u>Oxley Act of</u>  <u>2002.</u></p> <p><u>Certification</u>  <u>of Principal</u>  <u>Financial</u>  <u>Officer</u>  <u>pursuant to</u>  <u>Section 906</u>  <u>of the</u>  <u>Sarbanes-</u>  <u>Oxley Act of</u>  <u>2002.</u></p>	<p>Filed herewith</p> <p>Filed herewith</p> <p>Furnished herewith</p> <p>Furnished herewith</p>	<p><u>Certification</u>  <u>of</u>  <u>Principal Financial</u>  <u>Officer pursuant to</u>  <u>Section 302 of the</u>  <u>Sarbanes-Oxley</u>  <u>Act of 2002.</u></p>
	<p><u>Certification</u>  <u>of Principal</u>  <u>Executive</u>  <u>Officer</u>  <u>pursuant to</u>  <u>Section 906</u>  <u>of the</u>  <u>Sarbanes-</u>  <u>Oxley Act of</u>  <u>2002.</u></p> <p><u>Certification</u>  <u>of Principal</u>  <u>Financial</u>  <u>Officer</u>  <u>pursuant to</u>  <u>Section 906</u>  <u>of the</u>  <u>Sarbanes-</u>  <u>Oxley Act of</u>  <u>2002.</u></p>	<p>Furnished herewith</p> <p>Furnished herewith</p>	<p><u>Certification</u>  <u>of</u>  <u>Principal Financial</u>  <u>Officer pursuant to</u>  <u>Section 906 of the</u>  <u>Sarbanes-Oxley</u>  <u>Act of 2002.</u></p>

101.INS	XBRL Instance Document	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
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\* Annexes, schedules and certain exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Loop hereby undertakes to furnish supplemental copies of any of the omitted annexes, schedules and exhibits upon request by the SEC.

+ Portions of this document (indicated by "[\*\*]") have been omitted because such information is not material and is the type of information that the registrant treats as private or confidential.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, ~~as amended~~, the registrant has duly caused this report ~~has been~~ to be signed ~~below~~ on its behalf by the following persons on behalf of the registrant in the capacities and on the dates indicated. Undersigned thereunto duly authorized..

Date: January 16, 2024 July 15, 2024

By: /s/ Daniel Solomita

Name: Daniel Solomita

Title: President and Chief Executive Officer, and  
Director (Principal Executive Officer)

Date: January 16, 2024 July 15, 2024

By: /s/ Fady Mansour

Name: Fady Mansour

Title: Chief Financial Officer (Principal Accounting  
Officer and Principal Financial Officer)

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## EXHIBIT 10.2

**CERTAIN INFORMATION IDENTIFIED BY [\*\*] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

### JOINT VENTURE AGREEMENT

BY & AMONG  
Ester Industries Limited  
("Ester")  
AND  
Loop Industries, Inc.  
("Loop")  
Dated May 1, 2024

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### JOINT VENTURE AGREEMENT

THIS JOINT VENTURE AGREEMENT ("Agreement" or "this Agreement") is entered into on the 1<sup>st</sup> day of May, 2024 ("Execution Date").

#### BY & AMONG

1. **Ester Industries Limited**, a public limited company incorporated under the Indian Companies Act, 1956, having its head office at Plot No.-11-A, Infocity-1, Sector 33-34, Gurgaon – 122 001, Haryana, India (hereinafter referred to as "Ester", which expression shall, unless repugnant to the context or meaning thereof, be deemed to include its successors and permitted assigns), of the **First Part**;

AND

2. **Loop Industries Inc.**, a company incorporated and existing under the laws of the State of Nevada with its principal offices at 480 Fernand-Poitras Terrebonne, Québec, Canada J6Y 1Y4 (hereinafter referred to as "Loop", which expression shall, unless repugnant to the context or meaning thereof, be deemed to include its successors and permitted assigns), of the **Second Part**;

Ester and Loop are hereinafter be referred to, individually as "**Shareholder**" and collectively as "**Shareholders**".

#### WHEREAS:

- A. Ester is *inter alia* engaged in the business of manufacturing PET chips, BOPET film and speciality polymer from virgin and recycled feedstock and is listed on the Recognized Stock Exchanges (as *defined hereinafter*);
- B. Loop is engaged in the business of conversion of waste PET plastic and polyester fiber into high value materials.
- C. Ester and Loop propose to establish a joint venture entity in India to undertake the Business (as *defined hereinafter*).
- D. Now, the Parties having reached an understanding are entering into this Agreement to record their understanding and to set out the terms and conditions, which have been agreed between them in relation to their respective participation in the JVCo (as *defined hereinafter*) and the manner in which the affairs of the JVCo (as *defined hereinafter*) will be managed, operated, and regulated.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES, MUTUAL COVENANTS AND PROMISES, TERMS AND CONDITIONS AND UNDERSTANDINGS SET FORTH HEREINAFTER, AND OTHER GOOD AND VALUABLE CONSIDERATIONS, SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES WITH THE INTENT TO BE LEGALLY BOUND HEREBY AGREE AS FOLLOWS:

#### 1. DEFINITIONS AND INTERPRETATION

## 1.1 Definitions

For the purposes of this Agreement, in addition to the terms defined in the introduction to this Agreement, whenever used in this Agreement, unless repugnant to the meaning or context thereof, the following expressions shall have the following meanings:

**“Act”** means the (*Indian*) Companies Act, 2013 and shall include all amendments, modifications and re-enactments and corresponding rules issued therein;

**“Affiliate Deed of Adherence”** shall have the meaning ascribed to it under Clause 4.9;

**“Affiliate”** or **“Affiliates”** with respect to any Shareholder shall mean any Person, which is a holding company or subsidiary of such Shareholder, or any Person which, directly or indirectly, (a) Controls such Shareholder, (b) is Controlled by such Shareholder, (c) is Controlled by the same Person who, directly or indirectly, Controls such Shareholder, or (d) is a subsidiary of the same Person of which the Shareholder is a subsidiary, or (e) in relation to a natural Person, a relative of such Person; it being clarified that the JVCo will not be considered as an ‘Affiliate’ of any Shareholder for the purposes of this Agreement. For the purposes of this definition, the term “holding company” and “relative” shall have the same meaning as ascribed to such expressions under the Act;

**“Agreed Form”** shall mean, in relation to a document, the form of that document which is discussed and agreed amongst the Shareholders at the relevant time;

**“Amended Articles”** shall have the meaning ascribed to the term in Clause 3.1.9;

**“Ancillary Agreements”** shall mean the:

- (a) Loop Technology License Agreement;
- (b) Loop Marketing Agreement;
- (c) Ester Services Agreement; and
- (d) such other agreement(s) that shall be ascribed as an “Ancillary Agreement” mutually by the Parties;

**“Applicable Law”** means all applicable laws, by-laws, rules, regulations, orders, ordinances, notifications, protocols, codes, guidelines, policies, notices, directions, judgments, decrees or other requirements or official directive of any Governmental Authority or Person acting under the authority of any Governmental Authority and/ or of any statutory authority, as the context may require, whether in effect on the Execution Date or thereafter;

**“Below 50% Shareholder”** shall have the meaning ascribed to it under Clause 18.17.1;

**“Board”** or **“Board of Directors”** means the board of directors of the JVCo;

**“Business Day”** or **“Business Days”** means any day of the week (excluding Saturdays, Sundays and public holidays) on which commercial banks are open for business in New Delhi, India or in Montreal, Quebec;

**“Business Opportunity”** shall have the meaning ascribed to it under Clause 5.5.1;

**“Business Plan”** means the business plan of the JVCo adopted by the Board on the Initial Closing Date, and as may be amended from time to time pursuant to this Agreement;

**“Business”** shall have the meaning ascribed to it under Clause 5.1;

**“Call Option Exercise Price”** shall have the meaning ascribed to it under Clause 10.8.1(ii);

**“Call Option Right”** shall have the meaning ascribed to it under Clause 10.8.1(ii);

**“Call Shares”** shall have the meaning ascribed to it under Clause 10.8.1(ii);

**“Capital Call Acceptance Notice”** shall have the meaning ascribed to it under Clause 4.6.3;

**“Capital Call Notice”** shall have the meaning ascribed to it under Clause 4.6.1;

**“CEO”** shall have the meaning ascribed to it under Clause 8.12.1;

**“Certificate of Incorporation”** shall mean the certificate issued by the RoC evidencing incorporation of a company under the Act;

**“CFO”** shall have the meaning ascribed to it under Clause 8.12.2;

**“Chairman”** shall have the meaning ascribed to it under Clause 8.6.1;

**“Charter Documents”** means the memorandum of association and the articles of association of the JVCo, as amended from time to time;

**“Claims Notice”** shall have the meaning ascribed to it under Clause 13.2;

**“CoC Party”** shall have the meaning ascribed to it under Clause 10.8.1;

**“Commercialization Date”** shall mean the date on which the manufacturing and commercial production of JV Products (as defined hereunder) is commenced by the JVCo, pursuant to the implementation of the Project;

**“Committed Capital”** shall have the meaning ascribed to it under Clause 4.3;

**“Committed Capital Default”** shall have the meaning ascribed to it under Clause 4.8.1;

**“Committed Capital Default Cure Period”** shall have the meaning ascribed to it under Clause 4.8.4;

**“Committed Capital Default Securities”** shall have the meaning ascribed to it under Clause 4.8.3(ii);

**“Committed Capital Defaulting Party”** shall have the meaning ascribed to it under Clause 4.8.1(i);

**“Committed Capital Non-Defaulting Party”** shall have the meaning ascribed to it under Clause 4.8.1(ii);

**“Committed Shortfall Amount”** shall have the meaning ascribed to it under Clause 4.8.1(iii);

**“Confidential Information”** shall have the meaning ascribed to it under Clause 14.1.1;

**“Control”** or **“Controlled by”** or **“Controlling”** with respect to any Person, shall mean: (a) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by agreement or otherwise or the power to elect more than one-half of the directors, partners or other individuals exercising similar authority with respect to such person; or (b) the possession, directly or indirectly, of a voting interest of more than 50% (fifty percent);

**“CP Dissatisfaction Notice”** shall have the meaning ascribed to it under Clause 3.2.3;

“**CP Satisfaction Notice**” shall have the meaning ascribed to it under Clause 3.2.2 in the form annexed under **SCHEDULE X**;

“**Deadlock**” shall have the meaning ascribed to it under Clause 11.1;

“**Deadlock Notice**” shall have the meaning ascribed to it under Clause 11.2;

“**Deed of Adherence**” means the deed of adherence to this Agreement in the form annexed under **SCHEDULE IV**;

“**Depolymerization Business**” shall have the meaning ascribed to it under Clause 5.1.1;

“**Direct Claims**” shall have the meaning ascribed to it under Clause 13.2;

“**Directors**” directors of the JVCo, and “**Director**” shall mean and refer to any 1 (one) director of the JVCo;

“**Disclosing Party**” shall have the meaning ascribed to it under Clause 14.1.2;

“**Dispute**” shall have the meaning ascribed to it under Clause 17.1;

“**Encumbrance**” or “**Encumbrances**” means any mortgage, pledge, hypothecation, equitable interest, assignment by way of security, conditional sales contract, hypothecation, right of other Persons, claim, security interest, encumbrance, title defect, title retention agreement, voting trust agreement, interest, option, lien, charge, commitment, restriction or limitation of any nature, whatsoever, including restriction on use, voting rights, Transfer, receipt of income or exercise of any other attribute of ownership, right of set-off, any arrangement (for the purpose of, or which has the effect of, granting security), or any other security interest of any kind whatsoever, or any agreement, whether conditional or otherwise, to create any of the same;

“**Equity Shares**” means issued and fully paid-up equity shares of the JVCo, having face value of INR 10/- (Rupees Ten only) per such equity share, and comprising of such classes, as may be issued and allotted by the JVCo, from time to time, and “**Equity Share**” shall mean and refer to any 1 (one) such issued and fully paid-up equity share;

“**Ester Directors**” shall mean and refer to the directors nominated by Ester on the Board of the JVCo, and “**Ester Director**” shall mean and refer to any 1 (one) director nominated by Ester on the Board of the JVCo;

“**Ester Group**” shall mean and include Ester and its Affiliates;

“**Ester Initial Committed Amount**” shall mean INR 80,00,000 (Indian Rupees Eighty Lakh) only remitted by Ester as on the Initial Closing Date for the subscription of Ester Initial Investment Securities;

“**Ester Initial Investment Securities**” shall mean 8,00,000 (eight lakh) Equity Shares of the JVCo subscribed by Ester on the Initial Closing Date;

“**Ester Liability Cap**” shall have the meaning ascribed to it under Clause 13.8.1;

“**Ester Services Agreement**” shall mean the services agreement to be entered into between the JVCo and Ester, substantially in the form annexed at **SCHEDULE VIII**;

“**Ester Subsequent Committed Amount**” means such portion of the Shareholders Capital Contribution amount attributable to Ester, which shall become due and payable pursuant to receipt of a Capital Call Notice in accordance with the terms of this Agreement and the Business Plan;

**"Exercised Shareholder ROFO Shares"** shall have the meaning ascribed to it under Clause 10.5.3;

**"Ester Tolling Arrangement"** shall have the meaning ascribed to it under Clause 5.1.2;

**"Fair Market Value"** means the fair market value of the Securities of the JVCo, as determined by a Valuer in the manner set out in **SCHEDULE IX**;

**"FEMA"** shall mean and refer to the Foreign Exchange Management Act, 1999, read with all rules, regulations, directions, and circulars thereunder, including, but not limited to, the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, and any applicable successor legislation in relation to foreign exchange management;

**"Financial Year"** shall mean the period ending on the 31st day of March every year;

**"Financing Institutions"** shall mean scheduled commercial banks and other non-banking financial institutions, sovereign funds, public, private and/or multilateral lending institutions and agencies;

**"Foreign Sale"** shall have the meaning ascribed to it under Clause 5.6.5;

**"Future Funding"** shall have the meaning ascribed to it under Clause 7.1;

**"Governmental Authorities"** means the government authority, statutory authority, government department, agency, commission, board, tribunal or court or other law, rule or regulation making entity having or purporting to have jurisdiction or any state or other subdivision thereof or any municipality, district or other subdivision thereof, including any other municipal/local authority having jurisdiction, and "Governmental Authority" shall mean and refer to any 1 (one) of such Governmental Authorities;

**"Incorporation Capital"** shall have the meaning ascribed to it under Clause 2.3;

**"Incorporation Securities"** shall have the meaning ascribed to it under Clause 2.3;

**"Indemnified Party"** shall have the meaning ascribed to it under Clause 13.1;

**"Indemnifying Party Notice"** shall have the meaning ascribed to it under Clause 13.6.2(i);

**"Indemnifying Party"** shall have the meaning ascribed to it under Clause 13.1;

**"Initial Closing"** shall have the meaning ascribed to it under Clause 4.4;

**"Initial Closing Date"** shall have the meaning ascribed to it under Clause 4.4;

**"Initial Committed Amount"** shall mean collectively, the Loop Initial Committed Amount and Ester Initial Committed Amount;

**"Initial Investment Securities"** shall mean collectively, the Loop Initial Investment Securities and Ester Initial Investment Securities;

**"Insolvency Event"** means:

- (a) where a Person shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, save and except solvent group restructuring; or

(b) admission of any proceedings against a Person for its bankruptcy or insolvency, or similar action for seeking liquidation, winding up, reorganization, arrangement, compromise, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or re-organization or relief of debtors or seeking appointment of a resolution professional or administrator or receiver or liquidator or other similar official for all or any substantial part of its property, which is not withdrawn/ discharged within 60 (sixty) Business Days;

**“Internal Mediation Period”** shall have the meaning ascribed to it under Clause 11.2;

**“JVCo Bank Account”** shall mean the designated bank account of the JVCo, details of which would be provided by the JVCo to Ester and Loop prior to the Initial Closing Date;

**“IPO”** shall have the meaning ascribed to it under Clause 10.7.1;

**“JVCo”** shall have the meaning ascribed to it under Clause 2.1;

**“JVCo Competitor”** means any person engaged in the business of chemical recycling of all/ any kind of polyesters;

**“JVCo Facility”** shall have the meaning ascribed to it under Clause 5.6.5(i);

**“JV Products”** shall have the meaning ascribed to it under Clause 5.1.3;

**“Lock-In Period”** shall have the meaning ascribed to it under Clause 10.2;

**“Loop Directors”** shall mean and refer to the directors nominated by Loop on the Board of the JVCo, and “Loop Director” shall mean and refer to any 1 (one) director nominated by Loop on the Board of the JVCo;

**“Loop Group”** shall mean and include Loop and its Affiliates;

**“Loop Initial Committed Amount”** shall mean INR 1,00,00,000 (Indian Rupees One Crore) only remitted by Loop as on the Initial Closing Date for the subscription of Loop Initial Investment Securities;

**“Loop Initial Investment Securities”** shall mean 10,00,000 (ten lakh) Equity Shares of the JVCo subscribed by Loop on the Initial Closing Date;

**“Loop Liability Cap”** shall have the meaning ascribed to it under Clause 13.8.2;

**“Loop Marketing Agreement”** shall mean the marketing agreement to be entered into between the JVCo and Loop, substantially in the form annexed at **SCHEDELE VII**;

**“Loop Nominee Directors”** shall have the meaning ascribed to it under Clause 4.5.2(ii);

**“Loop Subsequent Committed Amount”** means such portion of the Shareholders Capital Contribution amount attributable to Loop, which shall become due and payable pursuant to receipt of a Capital Call Notice in accordance with the terms of this Agreement and the Business Plan;

**"Loop Technology"** shall mean the Infinite Loop™ Depolymerization Technology as patented by Loop;

**"Loop Technology License Agreement"** shall mean the license agreement to be entered into between the JVCo and Loop with respect to the Loop Technology, substantially in the form annexed at **SCHEDULE VI**;

**"Losses"** shall mean and refer to direct losses, claims, damages, liabilities, fines, costs, charges, demands, expenses (including any reasonable expenses of legal counsel) and interest thereon, which for the avoidance of doubt excludes any consequential or indirect losses, claims, damages, liabilities, expenses, fines, costs, interest, damages or demands;

**"Manufacturing Territory"** shall mean the Republic of India and such other territories as mutually agreed between the Parties in writing;

**"Non-Selling Shareholder"** shall have the meaning ascribed to it under Clause 10.5.2;

**"Non-Referring Party"** shall have the meaning ascribed to it under Clause 5.5.2;

**"Notices"** shall have the same meaning as assigned to such term in Clause 18.9 of this Agreement;

**"Offer Letter"** shall have the meaning ascribed to it under Clause 4.6.2;

**"Option Exercise Notice"** shall have the meaning ascribed to it under Clause 10.8.2;

**"Option Period"** shall have the meaning ascribed to it under Clause 10.8.2;

**"Original Director"** shall have the meaning ascribed to it under Clause 8.5;

**"Outside Date"** shall have the meaning ascribed to it under Clause 3.3;

**"Parent Party"** shall have the meaning ascribed to it under Clause 10.4.2;

**"Parties"** shall mean Ester, Loop and the JVCo collectively; and **"Party"** shall mean each of them individually;

**"Person"** shall mean any individual, sole proprietorship, unincorporated association, body corporate, corporation, partnership, joint venture, trust, any Governmental Authority or any other entity or organization;

**"Prohibited Person"** means a person who is subject matter of any Sanctions Laws or violations thereof or engaging with whom would materially prejudice or expose the engaging person to potential implications under Sanctions Laws;

**"Project Cost"** shall have the meaning ascribed to it under Clause 4.1;

**"Project"** shall have the meaning ascribed to it under Clause 5.2;

**"Project Cost Overrun"** shall have the meaning ascribed to it under Clause 4.3;

**"Project Cost Overrun Default"** shall have the meaning ascribed to it under Clause 4.3;

**"Put Option Right"** shall have the meaning ascribed to it under Clause 10.8.1(i);

**"Put Option Exercise Price"** shall have the meaning ascribed to it under Clause 10.8.1(i);

**"Put Shares"** shall have the meaning ascribed to it under Clause 10.8.1(i);

**"RBI"** shall mean Reserve Bank of India;

**"Receiving Party"** shall have the meaning ascribed to it under Clause 14.1.2;

**"Recognized Stock Exchanges"** shall mean BSE Limited and National Stock Exchange of India Limited;

**"Referring Party"** shall have the meaning ascribed to it under Clause 5.5.2;

**"Relevant Party"** shall have the meaning ascribed to it under Clause 4.9;

**"Reserved Matters"** shall have the meaning ascribed to it under Clause 9.5;

**"RoC"** shall mean jurisdictional Registrar of Company(ies);

**"Royalty"** shall have the meaning ascribed to it under Clause 6.4.1;

**"rPolyester Resins"** shall have the meaning ascribed to it under Clause 5.1.2;

**"Rupee"** or **"Rupees"** or **"Rs."** or **"INR"** or **"Indian Rupees"** shall mean and refer to the lawful currency of the Republic of India;

**"SaleTerritory"** shall mean the entire world;

**"Sanctions Laws"** means any sanctions administered or enforced by the United Nations Security Council, the Council of the European Union, Global Affairs Canada, the Republic of India, United Arab Emirates, the US Department of the Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union or His Majesty's Treasury, and includes all legislations in the nature of the Trading with the Enemy Act, the International Emergency Economic Powers Act and the United Nations Participation Act;

**"Securities"** means Equity Shares, debentures, instruments, options, warrants or other securities held by the Shareholders in the JVCo;

**"Shareholding Pattern"** shall mean the shareholding of each Shareholder in the JVCo and as annexed under **SCHEDULE I**;

**"Selling Shareholder"** shall have the meaning ascribed to it under Clause 10.5.2;

**"Senior Executive Panel"** shall have the meaning ascribed to it under Clause 11.2;

**"Shareholder Group"** shall mean the Ester Group and Loop Group individually or collectively, as the context may require;

**"Shareholder ROFO Acceptance Notice"** shall have the meaning ascribed to it under Clause 10.5.4;

**"Shareholder ROFO Acceptance Period"** shall have the meaning ascribed to it under Clause 10.5.4;

**"Shareholder ROFO Exercise Notice"** shall have the meaning ascribed to it under Clause 10.5.3;

**"Shareholder ROFO Notice"** shall have the meaning ascribed to it under Clause 10.5.2;

**"Shareholder ROFO Offer Price"** shall have the meaning ascribed to it under Clause 10.5.3;

“**Shareholder ROFO Offer Terms**” shall have the meaning ascribed to it under Clause 10.5.3;

“**Shareholder ROFO Shares**” shall have the meaning ascribed to it under Clause 10.5.2;

“**Shareholder ROFO Transfer Notice Period**” shall have the meaning ascribed to it under Clause 10.5.3;

“**Shareholder ROFO**” shall have the meaning ascribed to it under Clause 10.5.3;

“**Shareholders Capital Contribution**” shall have the meaning ascribed to it under Clause 4.1;

“**SIAC**” shall mean Singapore International Arbitration Centre;

“**SIMC Mediation Period**” shall have the meaning ascribed to it under Clause 11.3;

“**SMF**” shall have the meaning ascribed to it under Clause 4.5.6;

“**Subsequent Closing Date**” shall have the meaning ascribed to it under Clause 4.6.3;

“**Subsequent Closing**” means the successful completion of the investment by Ester and Loop of the relevant Ester Subsequent Committed Amount and Loop Subsequent Committed Amount, as envisaged under the relevant Capital Call Notice;

“**Subsequent Investment Securities**” shall have the same meaning as ascribed under Clause 4.6.1;

“**Tag-Along Sale Notice**” shall have the meaning ascribed to it under Clause 10.6.2;

“**Tag-Along Sale Right**” shall have the meaning ascribed to it under Clause 10.6.1;

“**Tag-Along Sale Shares**” shall have the meaning ascribed to it under Clause 10.6.3;

“**Tag-Along Shares**” shall have the meaning ascribed to it under Clause 10.6.1;

“**Tax**” or “**Taxes**” shall mean all forms of applicable tax on net income, gross income, gross receipts, sales, goods and services tax, capital gains, transfer; withholding tax; duties of custom and excise, octroi duty, stamp duty or other taxes, fees, assessments or charges of any kind whatsoever, together with any cess, interest and any penalties thereto and “**Taxation**” shall have a corresponding meaning;

“**Term**” shall have the meaning ascribed to it under Clause 16.1;

“**Third Party Business Study**” shall have the meaning ascribed to it under Clause 5.5.6;

“**Third Party Claims**” shall have the meaning ascribed to it under Clause 13.2;

“**Third Party Debt**” shall have the meaning ascribed to it under Clause 4.1;

“**Third Party Price**” shall have the meaning ascribed to it under Clause 10.5.6;

“**Third Party Terms**” shall have the meaning ascribed to it under Clause 10.5.6;

“**Third Party Transferee**” shall have the meaning ascribed to it under Clause 10.5.6;

“**Third Party**” or “**Third Parties**” shall mean any Person/ Persons that is/ are not a signatory/ signatories to this Agreement, and shall not include the Affiliates of the Parties;

“**Threshold**” shall have the meaning ascribed to it under Clause 5.6.5(iii);

“**Transfer**” shall mean any reference to a transfer of Securities or other voting interests of a Shareholder and shall include:

(a) any transfer or other disposition of such Securities or voting interests or any interest therein; *provided that* nothing contained herein shall apply to any conversion of any debentures/preference shares into Equity Shares, where such debentures/preference shares are issued pursuant to this Agreement; or

- (b) any sale, assignment, gift, donation or other disposition of such Securities or any interest therein, pursuant to an agreement, arrangement, instrument or understanding by which legal title to or beneficial ownership of such securities or any interest therein passes from one Person to another Person or to the same Person in a different legal capacity, whether or not for value; or
- (c) the granting of any interest, lien, pledge/ mortgage, encumbrance, hypothecation or charge in or extending or attaching to such securities or any interest therein; and

“**Valuer**” shall mean the Indian affiliate of any of the following accounting firms, namely, PricewaterhouseCoopers, Ernst & Young, Deloitte Haskins & Sells, KPMG, or Grant Thornton or their affiliates; *provided that* such Valuer shall not be an auditor of the JVCo, or of any member of either Shareholder Group, unless otherwise agreed amongst the Parties.

## 1.2 Interpretation

In this Agreement,

1.2.1 any reference to any statute or statutory provision shall include:

- (i) all subordinate legislation and rules thereunder made from time to time under that provision (whether or not amended, modified, re-enacted or consolidated);
- (ii) such provision as from time to time amended, modified, re-enacted or consolidated (whether before or after the date of this Agreement) to the extent such amendment, modification, re-enactment or consolidation applies or is capable of applying to any transactions entered into under this Agreement and to the extent liability thereunder may exist or can arise;

1.2.2 any reference to the singular shall include the plural and vice-versa;

1.2.3 any references to the masculine, the feminine and the neuter shall include each other;

1.2.4 any references to a “company” shall include a body corporate;

1.2.5 the recitals and schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include any recitals and schedules to it. Any references to clause(s) and schedule(s) is/ are to “Clause(s)” of, and to “Schedule(s)” to this Agreement. Any references to parts or paragraphs are, unless otherwise stated, references to parts or paragraphs of the Schedule in which the reference appears;

1.2.6 references to this Agreement or any other document shall be construed as references to this Agreement or such other document as amended, varied, novated, supplemented or replaced from time to time;

1.2.7 any reference to books, files, records or other information or any of them means books, files, records or other information or any of them in any form or in whatever medium held including paper, electronically stored data, magnetic media, film and microfilm;

1.2.8 headings to Clauses, parts and paragraphs of Schedules and Schedules are for convenience only and do not affect the interpretation of this Agreement;

1.2.9 "in writing" includes any communication made by letter or fax or e-mail;

1.2.10 the words "include", "including" and "in particular" shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any preceding words;

1.2.11 references to a person (or to a word importing a person) shall be construed so as to include:

(i) individual, firm, partnership, trust, joint venture, company, corporation, body corporate, unincorporated body, association, organisation, any government, or state or any agency of a government or state, or any local or municipal authority or other governmental body (whether or not in each case having separate legal personality); and

(ii) that person's successors in title and assigns or transferees permitted in accordance with the terms of this Agreement;

1.2.12 references to a person's representatives shall be to its officers, employees, legal or other professional advisers, sub-contractors, agents, attorneys and other duly authorised representatives;

1.2.13 where a wider construction is possible, the words "other" and "otherwise" shall not be construed *ejusdem generis* with any foregoing words;

1.2.14 this Agreement is a joint draft product of the Parties and any rule of statutory interpretation interpreting agreements against a party primarily responsible for drafting the agreement shall not be applicable to this Agreement; and

1.2.15 if any approvals are required to be obtained by any Party from any Governmental Authority under Applicable Laws for consummating any Transfers, issuances or other transactions in the manner contemplated in this Agreement, the time required for obtaining such approvals shall be excluded in calculating the time periods within which such Transfer(s), issuances and other transactions are to be completed (or such transactions are to be given effect to) under or pursuant to the provisions of this Agreement.

## 2. INCORPORATION OF JVCO

- 2.1. Promptly after the Execution Date and in any event no later than 180 (one hundred and eighty) days from the Execution Date, Ester shall undertake all steps that may be necessary and/or required for the purposes of incorporation of a private limited company (hereinafter referred to as the "JVCo") under the terms of the Act and Loop shall provide all the relevant information and necessary co-operation to Ester in this regard.
- 2.2. The name of the JVCo shall be Ester Loop Infinite Technologies Private Limited or such other name as approved by the RoC and acceptable to each of Ester and Loop.
- 2.3. The authorised share capital of the JVCo shall be INR 10,00,00,000 (Indian Rupees Ten Crore), consisting of 1,00,00,000 (one crore) Equity Shares. The initial issued, subscribed and paid-up share capital of the JVCo, shall be INR 20,00,000 (Indian Rupees Twenty Lakh) ("**Incorporation Capital**"), consisting of 2,00,000 (two lakh) Equity Shares ("**Incorporation Securities**") all of which shall be held by Ester and its nominee(s) at the time of incorporation of the JVCo. It is hereby clarified that the cost incurred by Ester for incorporation of the JVCo, which for additional certainty excludes the amount representing the Incorporation Capital, will be reimbursed by JVCo to Ester.

- 2.4. The registered office of the JVCo shall be situated in Gurugram, Haryana or such other place as may be mutually agreed amongst Ester and Loop.
- 2.5. The first Directors of the JVCo shall be [\*\*\*], [\*\*\*], and such other person as may be nominated by Ester.
- 2.6. Promptly after incorporation of the JVCo and receipt of the 'Certificate of Incorporation', the JVCo and Ester shall take all steps as may be required under Act, including the following:
  - 2.6.1. Appointing the statutory auditor of the JVCo, as mutually agreed amongst Ester and Loop;
  - 2.6.2. Authorizing the issuance of a mandate(s) for opening of new bank accounts and name of the proposed authorized signatory(ies) for operating the new bank accounts;
  - 2.6.3. Remittance of the Incorporation Capital by Ester and allotment of the Incorporation Securities by the JVCo;
  - 2.6.4. Making of necessary filings by the JVCo in relation to the allotment of the Incorporation Securities.

### 3. ACTIONS PRIOR TO INITIAL CLOSING

- 3.1. The issuance of the Initial Investment Securities by the JVCo and the subscription to the respective Initial Investment Securities by Loop and Ester shall be subject to the completion of the following to the satisfaction of the Shareholders in the manner provided in this Clause 3.1 (each a "**Condition Precedent**", and collectively the "**Conditions Precedent**"):

#### 3.1.1. Corporate Authorizations

Each of Loop and Ester shall have received all necessary corporate and statutory authorizations/consents, if any, in connection with the transactions contemplated under this Agreement.

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#### 3.1.2. Representations and Warranties

The representations and warranties of the Shareholders as specified in Clause 12 shall have been true and correct on the Execution Date and remained true and correct as of the Initial Closing Date.

- 3.1.3. The JVCo shall provide (or procure the provision) to each Shareholder a valuation report from an independent and suitably qualified and experienced practising Indian chartered accountant and registered valuer as the case may be in accordance with Applicable Law, certifying the fair price of the Initial Investment Securities under FEMA, the Companies Act and the Income Tax Act, 1961.
- 3.1.4. The Board shall have, and Ester shall have ensured that the Board shall have, passed the necessary resolutions in Agreed Form for the purposes of: (i) approving the issuance of the Initial Investment Securities to the Shareholders on a private placement basis; (ii) approving the private placement offer letter (in form PAS-4) to be issued to the Shareholders; and (iii) convening an extraordinary general meeting of the Shareholders of the JVCo at a shorter notice for approving the issuance of the Initial Investment Securities to the Shareholders and the private placement offer letter (in form PAS-4) to be issued to the Shareholders.
- 3.1.5. The JVCo shall have, and Ester shall have ensured that the JVCo convenes a Board meeting and a shareholders' meeting to approve the issuance of the Initial Investment Securities to the respective Shareholders.

- 3.1.6. The JVCo shall have, and Ester shall have ensured that the JVCo shall have, filed the shareholders resolutions passed under Clause 3.1.5 with the ROC through Form MGT-14;.
- 3.1.7. Once the actions set out in Clauses 3.1.3 to 3.1.6 are complete, the JVCo shall have, and Ester shall have ensured, that the JVCo issues the private placement offer letter (in Form PAS-4) to the Shareholders.
- 3.1.8. All closing resolutions to be adopted by the JVCo pursuant to Clauses 3.1.3 to 3.1.5 shall be in Agreed Form.
- 3.1.9. The amended articles of association of the JVCo reflecting the applicable provisions of this Agreement (the "Amended Articles") shall be in Agreed Form.
- 3.1.10. The JVCo shall have, and Ester shall have ensured that the JVCo shall have, delivered to Loop the Amended Articles duly filed with the ROC (with proof of approval of such form by ROC).
- 3.1.11. Forms FC-GPR to be filed by the JVCo under FEMA pursuant to the allotment of the Loop Initial Investment Securities shall be in Agreed Form and acceptable for filing by the JVCo's bankers.
- 3.1.12. Loop shall have opened a demat account in India for subscribing to the Securities proposed to be allotted to it, including the Loop Initial Investment Securities.

## 3.2. CP Confirmation

- 3.2.1. The Parties shall act reasonably and in good faith and shall co-operate and provide all reasonable assistance, information and documents required for satisfaction of the Conditions Precedent listed at Clause 3.1.
- 3.2.2. Ester and the JVCo shall, within 2 (Two) Business Days from the date on which the last of the Conditions Precedent is fulfilled (except for: (i) approvals applicable to Loop under Clause 3.1.1 above, (ii) representations and warranties applicable to Loop under Clause 3.1.2 above; and (iii) actions to be completed by Loop under Clause 3.1.12 above), furnish a letter to Loop, in the form and manner as set out in **SCHEDULE X** (the "CP Satisfaction Notice"). Such CP Satisfaction Notice shall be accompanied with duly authenticated or certified copies (as the case may be) of all the necessary documents evidencing such fulfilment.
- 3.2.3. In the event that Loop is not satisfied with the status of any Condition Precedent or there is a deficiency in the satisfaction of any Condition Precedent, Loop shall notify Ester and the JVCo of such dissatisfaction or defect (the "CP Dissatisfaction Notice"), within 10 (Ten) Business Days of the receipt of the CP Satisfaction Notice; provided that if in case the CP Dissatisfaction Notice is not received by Ester within the aforesaid period, it shall be deemed that Loop is satisfied with the completion of all of the Conditions Precedent and that the CP Satisfaction Notice would be deemed to have been accepted by Loop. Ester and the JVCo shall remedy or remove the cause of dissatisfaction or the defect within 2 (Two) Business Days from the date of receipt of the CP Dissatisfaction Notice or such other longer period as Ester and Loop may mutually agree. Immediately upon remedying such dissatisfaction, Ester and the JVCo shall jointly issue the CP Satisfaction Notice again to Loop, and this Clause 3.2 shall *mutatis mutandis* apply to such CP Satisfaction Notice.

3.2.4. Each Shareholder shall submit copies of the relevant documents to the other Shareholder confirming satisfaction of the Conditions Precedent set out in Clause 3.1 required to be satisfied by such Shareholder Entity, to enable the Parties to proceed with the Initial Closing as contemplated in Clause 4.4.

### 3.3. **Outside Date**

If the Conditions Precedent listed in Clause 3.1 are not fulfilled by any Party on or before December 31, 2024 or such other date as is mutually agreed in writing among the Parties ("Outside Date"), then any of the Parties may exercise an option to terminate this Agreement immediately upon provision of written notice of the same to the other Parties and in that event, none of the Parties shall have any rights, obligations or claims against the others, except in accordance with Clause 18.3 and for those provisions which expressly survive termination of this Agreement.

## 4. COMMITTED CAPITAL AND CLOSINGS

- 4.1. Each of Ester and Loop anticipate that initial funding required to finance the JVCo for the purposes of construction, development and operationalization of the Project along with initial working capital requirements for the Business is expected to be United States Dollar 165,000,000.00 ("Project Cost"). The Parties agree that Project Cost shall be met through a combination of debt proposed to be raised from Financing Institutions ("Third Party Debt") and capital contributions from each of Ester and Loop, in equal ratios ("Shareholders Capital Contribution").
- 4.2. The Parties will endeavour that at least 70% (seventy percent) of the Project Cost will be funded through Third Party Debt; provided that the Third Party Debt shall in no event be less than 60% (sixty percent) of the Project Cost. Ester will lead the financing process and on a commercially reasonable basis take such steps as are necessary to procure or cause to procure receipt of adequate Third-Party Debt with respect to the Project on market standard terms prevalent in the Manufacturing Territory. Loop shall provide all reasonable co-operation to Ester as may be requested by Ester from time to time in this regard. The security, guarantees, etc., if any, required to be provided for the purpose of Third-Party Debt will be proportionately provided by the Shareholders as and when required in the shareholding ratio of the Shareholders as set out in **SCHEDULE I**, subject to Applicable Law.

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- 4.3. The remaining Project Cost, i.e. the Project Cost *minus* the Third Party Debt availed pursuant to Clause 4.2 above, shall be funded through Shareholders Capital Contribution ("Committed Capital"). Each of Ester and Loop warrant and undertake to each other and the JVCo, to invest their respective portion of the Committed Capital in the manner contemplated in this Agreement and in accordance with the Business Plan. For more certainty, any amount in excess of the estimated Project Cost set forth in Clause 4.1 ("Project Cost Overrun") shall be subject to the approval of the Board and, if required of the Shareholders in accordance with Clause 9.5, before the Shareholders are requested to invest their respective portion of same, which for the avoidance of doubt shall be proportioned equally amongst the Shareholders. In the event either Shareholder does not invest its respective portion of the Project Cost Overrun after requisite approvals of the Board and the Shareholders have been obtained ("Project Cost Overrun Default"), the provisions of Clause 4.8, shall apply *mutatis mutandis* to such Project Cost Overrun Default in relation to such defaulting Shareholder and non-defaulting Shareholder as the case may be, as if such Project Cost Overrun Default was a Committed Capital Default.

4.4. Subject to Clauses 3.2.3 and 3.2.4, the completion of the issuance of the Initial Investment Securities against Initial Committed Amount (the “**Initial Closing**”) shall occur on the date on or prior to the expiry of 15 (fifteen) Business Days from the date on which the CP Satisfaction Notice is accepted or deemed to have been accepted by Loop or such other later date as may be mutually agreed by the Shareholders in writing (the “**Initial Closing Date**”).

4.5. On the Initial Closing Date, following steps shall be undertaken:

4.5.1. Each of the Shareholders shall remit their respective Initial Committed Amount to the JVCo by way of a wire transfer into the JVCo Bank Account and provide the JVCo with proof of remittance of their respective Initial Committed Amount.

4.5.2. Immediately upon the receipt of the entire Initial Committed Amount as set out in Clause 4.5.1 above, the JVCo and Ester shall procure the Board to hold a meeting at which the following business shall be conducted:

- (i) Approve allotment of the Ester Initial Investment Securities and Loop Initial Investment Securities to Ester and Loop, respectively, free from all Encumbrances, along with delivery of the original letter of allotment in respect of the Ester Initial Investment Securities and Loop Initial Investment Securities and authorizing the entry of the name of Ester and Loop as the holder of the Ester Initial Investment Securities and Loop Initial Investment Securities in the register of members of the JVCo;
- (ii) approve the appointment of [\*\*], [\*\*] and [\*\*] as the directors nominated by Loop (“**Loop Nominee Directors**”);
- (iii) approve the execution of the Deed of Adherence by the JVCo to this Agreement;

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- (iv) approve the adoption of the Business Plan;
- (v) approve the adoption of the Amended Articles incorporating the relevant provisions of this Agreement;
- (vi) approve the execution of the Ancillary Agreements;
- (vii) approve the change of the authorised signatories of the JVCo’s Bank Account(s), if required;
- (viii) direct the convening of an extra-ordinary general meeting of the JVCo at short notice, to pass the resolutions set forth in Clause 4.5.3 below; and
- (ix) take such other actions as may be required in relation to the above or as may be agreed amongst the Shareholders;

4.5.3. Immediately thereafter, the JVCo shall convene an extra-ordinary general meeting of the Shareholders at short notice to pass the resolutions to confirm the appointment of the Loop Nominee Directors as Directors and for approval of the Amended Articles. Upon consummation of the Initial Closing, the shareholding pattern of the JVCo shall be as set out in **SCHEDULE I**.

4.5.4. Within 10 (ten) days from the Initial Closing Date, the JVCo shall deliver to the Shareholders: (i) certified true copy of Form MGT-14 duly filed with the RoC along with receipts of filing, in respect of the adoption of the Charter Documents; (ii) certified true copy of Form PAS-3 filed duly filed with the RoC along with receipts, in respect of intimating the allotment of the Ester Initial Investment Securities to Ester and Loop Initial Investment Securities to Loop.

4.5.5. As soon as practicable, and in no event later than 30 (thirty) days from the Initial Closing Date, undertake all corporate actions to credit Ester and Loop's respective demat accounts with the Ester Initial Investment Securities and the Loop Initial Investment Securities, respectively;

4.5.6. Within 30 (thirty) days from the Initial Closing Date, file Form FC-GPR through Single Master Form ("SMF") (with all relevant details and accompanying documentation in accordance with Law) in relation to issuance of the Loop Initial Investment Securities to Loop. Loop shall provide the necessary co-operation (including providing supporting documents) as may be required by the authorized dealer bank, in relation to the aforementioned filing. The JVCo shall provide Loop with proof of having filed Form FC-GPR promptly upon receipt of any communication from the RBI in this regard.

#### 4.6. Subsequent Capital Contribution

4.6.1. The Board of the JVCo shall, in accordance with the Business Plan, raise a capital call notice as per the format provided in **SCHEDULE V ("Capital Call Notice")** on Loop and Ester for amounts required to be contributed by Ester, from the Ester Subsequent Committed Amount, and Loop, from the Loop Subsequent Committed Amount. The Capital Call Notice shall set out the proposed number of Securities ("Subsequent Investment Securities") to be issued and allotted by the JVCo to Ester and Loop, against receipt of the requested amount. All Capital Call Notices shall be issued at least 30 (thirty) Business Days (unless otherwise agreed between the Parties) prior to the date on which such capital contributions are expected or required to be utilized by the JVCo, which date shall be stated in the Capital Call Notice.

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4.6.2. Unless otherwise agreed between the Parties, simultaneously with the Capital Call Notice, the JVCo shall issue private placement offer letters or rights issue offer letters, as the case may be in accordance with Applicable Law (each such offer letter shall be referred to as "**Offer Letter**") for raising the relevant Ester Subsequent Committed Amount and the Loop Subsequent Committed Amount.

4.6.3. Each of Ester and Loop shall promptly upon receipt of the Capital Call Notice and Offer Letter and in any event no later than 7 (seven) Business Days from the receipt thereof, issue a notice of acceptance of the Capital Call Notice and of its intention to pay the respective Committed Amount for subscription to the Subsequent Investment Securities ("Capital Call Acceptance Notice"). Within 15 (fifteen) Business Days from the issuance of the Capital Call Acceptance Notice, the relevant Shareholder shall remit by wire transfer to the designated bank account of the JVCo (details of which shall be set out in the Capital Call Notice) an amount equal to the relevant Ester Subsequent Committed Amount and the Loop Subsequent Committed Amount mentioned in the Capital Call Notice. The date on which the relevant Ester Subsequent Committed Amount and the Loop Subsequent Committed Amount is received against the relevant Capital Call Notice and Offer Letter shall be the "**Subsequent Closing Date**".

#### 4.7. Subsequent Closing

4.7.1. In relation to each Subsequent Closing, the events and actions set out in Clause 4.5 shall, to the extent applicable, apply *mutatis mutandis* in respect of issuance and allotment of the corresponding number of Subsequent Investment Securities to each of Ester and Loop, against the relevant Ester Subsequent Committed Amount and Loop Subsequent Committed Amount, invested by them pursuant to relevant Capital Call Notice.

#### 4.8. Failure to invest the Committed Capital

4.8.1. If either Ester or Loop fails to comply with its obligation to invest its respective portion of the Committed Capital in the manner contemplated in this Agreement ("Committed Capital Default"), then:

- (i) such Shareholder shall be deemed the "Committed Capital Defaulting Party";
- (ii) the other Shareholder shall be deemed the "Committed Capital Non-Defaulting Party"; and
- (iii) the portion of the Committed Capital Defaulting Party's Committed Capital amount not funded shall be referred to as the "Committed Shortfall Amount".

4.8.2. Each Party agrees that:

- (i) a failure by either Shareholder to invest its portion of the Committed Capital will cause irreparable injury to the Committed Capital Non-Defaulting Party; and
- (ii) there is no adequate remedy at law or in equity in respect of such failure, and, as a consequence, that each and every covenant contained in this Clause 4.8 shall be enforceable against the Committed Capital Defaulting Party, and the Committed Capital Defaulting Party hereby waives and agrees not to assert any defence against an action for specific performance of such covenants except for a defence that no failure to invest its portion of the Committed Capital has occurred and is continuing.

4.8.3. In the event that the Committed Capital Defaulting Party fails to invest the Committed Shortfall Amount, the Committed Capital Non-Defaulting Party shall have the right (but not an obligation) to either:

- (i) not remit its portion of the Committed Capital, where the Committed Capital Defaulting Party has not issued the Capital Call Acceptance Notice; or
- (ii) procure funding of the Committed Shortfall Amount, either by itself or through an Affiliate by subscription to same Securities as offered to the Committed Capital Defaulting Party (such securities being referred to as "Committed Capital Default Securities");

4.8.4. For a period of 1 (one) year commencing from the date of funding of the Committed Shortfall Amount by the Committed Capital Non-Defaulting Party under Clause 4.8.3(ii) above (herein after referred to as "Committed Capital Default Cure Period"), the Committed Capital Defaulting Party shall have the right (but not an obligation) to acquire from the Committed Capital Non-Defaulting Party, the Committed Capital Default Securities, at a price which shall be equivalent to the Fair Market Value at the relevant time provided that such price shall in no event be less than the amount invested by the Committed Capital Non-Defaulting Party to acquire the Committed Capital Default Securities. Further, it is clarified that the purchase price for the Committed Capital Securities shall be grossed up for any tax liabilities that may arise on Committed Capital Non-Defaulting Party. For avoidance of any doubt, it is clarified that the right under this Clause 4.8.4 can be exercised by a Shareholder only once during the tenure of the Agreement.

4.8.5. Without prejudice to the above, upon expiry of the Committed Capital Default Cure Period, if the Committed Capital Defaulting Party has not completed the acquisition of the Committed Capital Default Securities in accordance with Clause 4.8.4 above, (to the extent such right is available to the Committed Capital Defaulting Party and has not been exhausted by such Committed Capital Defaulting Party once in terms of Clause 4.8.4 above), then the Committed Capital Non-Defaulting Party shall have a right to appoint an additional director such that the Committed Capital Non-Defaulting Party has majority of Directors on the Board. Accordingly, the Parties shall be obligated to ensure that the Board is immediately reconstituted and the Charter Documents of the JVCo are forthwith amended. For the avoidance of doubt, during the Committed Capital Default Cure Period, the Shareholder's rights (including, without limitation, any rights to nominate directors of the JVCo) shall remain unchanged as long as the variation in the number of Securities held by each Shareholder is attributable to the Committed Capital Default Securities.

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4.9. Each of Ester and Loop, shall be permitted to exercise its right to invest a Committed Shortfall Amount under Clause 4.8 through an Affiliate, subject to ensuring that: (a) the Affiliate so nominated agrees and undertakes to be bound by the terms and conditions of this Agreement and executes an deed of adherence in the form and manner attached in **SCHEDULE III ("Affiliate Deed of Adherence")**; (b) the Shareholder ("Relevant Party"), who has designated an Affiliate, continues to be liable hereunder to the same extent as though the Relevant Party has invested the Committed Shortfall Amount; (c) the Relevant Party shall exercise all rights hereunder on behalf of such Affiliate; and (d) all notices required to be given under this Agreement shall be given to the Relevant Party. Where the Affiliate has invested in the JVCo under this Clause 4.9, the provisions of Clause 10.4 shall apply *mutatis mutandis*. Other than as permitted in this Clause 4, no Shareholder shall have the right to renounce its entitlement in favour of any Third Party.

## 5. BUSINESS OF THE JVCO, NEW OPPORTUNITIES & EXCLUSIVITY

5.1. The business of the JVCo shall be to:

5.1.1. build, develop, operate and maintain within the Manufacturing Territory 1 (one) or more facilities to depolymerize polyester waste into monomers namely rDMT and rMEG using the Loop Technology ("Depolymerization Business"); and

5.1.2. pursuant to an exclusive tolling arrangement cause Ester to produce polymers and such other products that it may require using monomers rDMT and / or rMEG ("rPolyester Resins"), on such terms as may be agreed amongst the JVCo and Ester ("Ester Tolling Arrangement"); and

5.1.3. sell products produced under Clauses 5.1.1 and 5.1.2 ("JV Products") within the Sale Territory pursuant to the Marketing Agreement or upon the termination of the Marketing Agreement, such other territory as may be decided by the Board; and

5.1.4. subject to Clause 9.5 conduct any other business as authorized by the Board.

(the business as set out in Clause 5.1 shall collectively be referred to as the "Business").

5.2. The Parties shall support the JVCo with respect to the activities specified in **SCHEDULE XI** which shall be appropriately incorporated in the binding Ancillary Agreements to be executed by the Parties in terms of this Agreement.

5.3. The Parties shall in accordance with the terms of this Agreement and the Business Plan endeavour to build for commercial production a manufacturing facility within the Manufacturing Territory to conduct the Business within 3 (three) years from the Initial Closing Date ("Project").

5.4. The Parties agree and acknowledge that except as may be otherwise agreed by Ester and Loop in accordance with this Agreement, the business of the JVCo shall be confined to the Business.

5.5. New Opportunities

5.5.1. The Parties agree that either of Loop and Ester may source and identify potential business opportunities to expand the Depolymerization Business which could *inter alia* include proposals for setting up/acquisition of manufacturing facilities within the Manufacturing Territory ("Business Opportunity"). Further, each of Ester and Loop agree that unless otherwise agreed to between Ester and Loop, all Business Opportunities shall be undertaken by the JVCo;

5.5.2. All such Business Opportunities shall be referred by either of Loop and Ester, as the case may be (the "Referring Party" and the other being referred to as the "Non-Referring Party") to the Board in writing;

5.5.3. In relation to each such Business Opportunity, the Referring Party shall provide to the Board and to the non-Referring Party, the following minimum information:

- (i) the nature and background to the Business Opportunity, the investment proposition any related relevant information (including any investment timetable);
- (ii) the due diligence performed and/or to be performed;
- (iii) the initial and future capital requirements of the Business Opportunity;
- (iv) the projected internal rate of return of the Business Opportunity;
- (v) any proposed external financing requirements;
- (vi) confirmation that the Business Opportunity can be undertaken solely through the internal accruals of the JVCo and/or through the third-party financing by the JVCo without any recourse to the Shareholders whether by way of guarantee, debt, or equity; and
- (vii) confirmation that the Business Opportunity will not have an adversarial impact on the Business of the JVCo, including the Referring Parties(ies) obligations under the respective Ancillary Agreements.

5.5.4. While considering the Business Opportunity, the Board shall have the right to seek reasonable clarifications that it may deem fit from the Referring Party. In the event such clarifications are sought, the Referring Party shall make best endeavours to respond fairly and accurately as soon as practically possible.

5.5.5. Where the Board has approved the pursuance of a Business Opportunity, the JVCo and the Shareholders shall undertake all reasonable endeavors to implement such Business Opportunity (with such modifications as may be approved by the Board) in a timely and efficient manner.

5.5.6. If the Non-Referring Party disagrees on undertaking the Business Opportunity based on prevalent market conditions, the business case and commercial viability for such Business Opportunity or other commercially reasonable parameters, the JVCo shall appoint a third party consultant of global repute to undertake a feasibility study in relation to the Business Opportunity ("Third Party Business Study"). The Parties agree that the decision of the JVCo with regards to appointment of a third-party consultant identified above shall be binding on all Parties. In case the Third Party Business Study indicates that the Business Opportunity is in the best interests of the JVCo and the Shareholders, but: (i) Ester, does not wish to pursue such Business Opportunity, Loop shall independently i.e. without recourse to the JVCo or Ester, be permitted to implement such Business Opportunity in the Manufacturing Territory or elsewhere, in Loop's sole discretion; or (ii) Loop, does not wish to pursue such Business Opportunity, then the JVCo shall, subject to Ester's consent, undertake all reasonable endeavors, to implement such Business Opportunity in a timely and efficient manner. If the Third Party Business Study concludes negatively in relation to the Business Opportunity, neither the JVCo, nor the Shareholders shall pursue or undertake such Business Opportunity.

## 5.6. Non-Compete & Non-Solicit

5.6.1. Each of Ester and Loop, undertake and warrant to the other and the JVCo that save as otherwise contemplated under this Agreement, for as long as they beneficially own directly or indirectly any Securities in the JVCo, and for a period of 2 (two) years from cessation thereof they shall not and shall use its reasonable endeavors to procure that their Affiliates shall not:

- (i) carry on or be concerned, engaged or interested in, whether financially or otherwise and whether directly or indirectly, any business whose activities include operating any business which is the same as or is substantially similar to the Business any material part of the Business anywhere in the Manufacturing Territory; or
- (ii) solicit or approach or entice away or poach or endeavor to solicit or entice away from the JVCo, or Ester Group/Loop Group, as the case may be, any director, executive, manager or other employee employed or engaged by the JVCo or Ester Group/Loop Group, as the case may be with a view to inducing such Person to leave such employment or to act for another Person involved in a business whose activities include operating any business which is the same as or is substantially similar to the Business.
- (iii) in the case of Loop, solicit or approach or entice away or poach or endeavor to solicit or entice away from Ester, any customer or client of the Ester Group (a) that purchases specialty polymers, or (b) that purchases mechanically recycled PET from within the Manufacturing Territory, other than with the prior written consent of Ester.

5.6.2. Each of the Shareholders acknowledges that (i) the restraints imposed upon it in terms of Clause 5.6 are fair and reasonable as to subject matter, area and duration and are reasonably necessary to protect the proprietary interests of the relevant Shareholder Group and to maintain the goodwill of the JVCo and the relevant Shareholder Group; (ii) the provisions of this Clause 5.6 shall be construed as imposing a separate and independent restraint, severable from the rest of them, in respect of the period referred to therein, every locality falling within the Manufacturing Territory and every activity falling within the ambit of the Business.

5.6.3. Each of the Parties further acknowledges and agrees that the restraints contained in this Clause 5.6 are stipulations for the benefit of the direct and indirect shareholders of the JVCo, who shall be entitled to elect whether or not to enforce the rights conferred upon them hereunder.

5.6.4. Nothing in this Agreement shall preclude:

- (i) either Shareholder and/or its respective Affiliates from collectively acquiring an aggregate of not more than 5% (five percent) of the issued equity share capital of any Entity, the shares or other equity interests of which are listed on a nationally or an internationally recognized stock exchange;
- (ii) Loop or any of its Affiliates from continuing to conduct its business as currently being conducted as of the Execution Date and, for the avoidance of doubt, any future business of Loop and/or its Affiliates and/or any joint venture in which it may have an interest, so long as such business does not compete with the Business or any material part of the Business in the Manufacturing Territory;

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- (iii) Ester and its Affiliates from continuing to conduct its business as currently being conducted as of the Execution Date and for the avoidance of doubt any future business of Ester and/or its Affiliates (including expansion of Ester's batch polymerization business) so long as such business is not the business of manufacturing of rDMT and rMEG;
- (iv) any Shareholder from hiring any person engaged by or with the JVCo or Ester Group/Loop Group, as the case may be, who responds to a general advertisement or recruiting campaign of any relevant Shareholder not specifically directed at employees, officers, representatives or agents of the JVCo or Ester Group/Loop Group, as the case may be; and
- (v) Loop or any of its Affiliates from independently (i.e. without recourse to the JVCo or Ester), implementing such Business Opportunity in the Manufacturing Territory in accordance with the provisions of Clause 5.5.6 of this Agreement.

5.6.5. Notwithstanding the provisions of this Clause 5.6, Loop shall not be, directly or indirectly, in breach of this Clause 5.6 in the event that it, directly or indirectly, offers for sale, sells, imports or distributes JV Products in the Manufacturing Territory, or licenses any third party to do so (which for the avoidance of doubt shall exclude the right/license to manufacture the JV Products in the Manufacturing Territory), (in each case, a "Foreign Sale") if:

- (i) (a) there is no commercial production manufacturing facility built or operated by JVCo (a "JVCo Facility") producing JV Products within the Manufacturing Territory, or (b) Ester or an affiliate thereof is unable to meet its obligations under any tolling agreement entered into with JVCo;
- (ii) once a JVCo Facility is operational in the Manufacturing Territory and able to supply JV Products to the market, the JVCo Facility will have priority for sales volumes in the Manufacturing Territory, unless the Shareholders agree to such Foreign Sale contracts to be performed, directly or indirectly, by Loop, and subject to Clause 5.6.5(iii), in the absence of such agreement between the Shareholders, Loop will no longer be authorized to conduct, directly or indirectly, any Foreign Sale in the Manufacturing Territory; or

(iii) the JVCo Facilities within the Manufacturing Territory reach, in aggregate, 100% (one hundred percent) sales capacity under contract for the 12 (twelve) months period following the applicable annual review date (the "Threshold"), such sales capacity being reviewed annually.

For the avoidance of doubt, if the JVCo Facilities within the Manufacturing Territory sales volume fall under the Threshold, JVCo shall provide a 60 (sixty) Business Days written notice informing Loop of such event. After the expiration of the foregoing 60 (sixty) Business Days' notice period, Loop will no longer be authorized to conduct, directly or indirectly, any Foreign Sale until the Threshold is met again or unless otherwise agreed upon between the Shareholders. In such event, the Shareholders shall negotiate in good faith to reduce any disruptions on any Loop's clients or customers, which were purchasing JV Products from within the Manufacturing Territory pursuant to Foreign Sales.

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## 6. CONDUCT OF BUSINESS

### 6.1. General

6.1.1. The Shareholders agree that their respective rights and obligations in relation to the JVCo and the Business shall be regulated by this Agreement, Applicable Law and the Charter Documents. The Shareholders agree to comply with the provisions of this Agreement, the Applicable Laws and all provisions of the Charter Documents which relate to them.

6.1.2. The Shareholders shall (so far as they lawfully can) ensure that the JVCo shall comply with all of its obligations under this Agreement, the Applicable Laws and the Charter Documents.

6.1.3. The JVCo shall ensure, and the Shareholders shall exercise their vote in relation to the JVCo in the best interest of the JVCo and otherwise act within their power (so far as they lawfully can) to ensure, the following:

- (i) that the Project shall be built and constructed in accordance with and within the timelines stipulated under the Business Plan;
- (ii) that the Business shall be conducted in accordance with the Business Plan;
- (iii) that the JVCo shall (a) not act otherwise than in accordance with Applicable Laws and Charter Documents; (b) not act in a way which might reasonably be likely to expose any officer, Director or executive manager of the JVCo or any member of the relevant Shareholder Group or the Shareholders to any civil or criminal liability under Applicable Laws; (c) not act in any way contrary to the policies of the JVCo adopted by the Board; (d) perform its obligations under any agreements, contracts or arrangements that the JVCo (and each Shareholder Group entity) enters into from time to time; and (e) comply with all decisions taken at the Board meetings and the Shareholders.

### 6.2. Business Plan

6.2.1. On the Initial Closing Date, the Board of JVCo shall adopt the Business Plan. The JVCo shall conduct its Business as per the Business Plan.

6.2.2. The CEO shall, not less than 90 (ninety) days before the end of each Financial Year, submit to the Board an updated draft of the then existing Business Plan for review and approval. If the Board fails to approve an update to Business Plan for any Financial Year as contemplated in this Clause 6.2, the approved elements of the draft annual Business Plan will apply and any relevant elements of the existing Business Plan including on the cost side and revenue side (as amended in order to reflect the previous' Financial Year inflation rate, which for the purposes of this Agreement, shall be computed on the basis of the 'All India Consumer Price Index (CPI)' released by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India), and shall continue to apply to the extent of such disagreement until the new Business Plan is approved.

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### 6.3. Dividend Policy

6.3.1. The Shareholders shall approve the distribution of dividends in accordance with the Act, and in a manner that is in the best interests of the JVCo and the Shareholders.

6.3.2. The Parties shall cause the JVCo to make commercially reasonable efforts to distribute dividends to the reasonable extent subject to the Applicable Law and the capital requirements of the JVCo in line with the current and future Business Plans. To achieve this objective, the Board shall adopt a dividend policy through a resolution, formulated on sound commercial principles so as to both reward the Shareholders and retain earnings for future expansion of the JVCo. Such dividend policy shall also be approved by a resolution of the Shareholders of the JVCo in accordance with the provisions of Clause 9.5. Each of Ester and Loop shall endeavour to cause the JVCo to draft a dividend policy and present the same for approval of the Board and Shareholders within 90 (ninety) days of the Initial Closing Date.

### 6.4. License, Marketing and other Services Agreement

6.4.1. On the Initial Closing Date, the JVCo shall enter into the Loop Technology License Agreement with Loop to *inter alia* procure an exclusive license to use and exploit the Loop Technology and all associated intellectual property rights in the Manufacturing Territory including the know-how with respect to construction and operation of the Project which license shall be valid in perpetuity at a royalty rate as set out in the Loop Technology License Agreement ("Royalty"). Any Tax to be incurred on receipt of Royalty will be borne solely by Loop.

6.4.2. Loop shall have the sole right to market and sell the JV Products in accordance with the Loop Marketing Agreement which shall be executed on the Initial Closing Date and shall amongst other things set out in detail the rights, responsibilities and obligations of the JVCo and Loop in relation to the sales and marketing of the JV Products. The service fee payable by the JVCo to Loop for the Loop Marketing Agreement shall be as set out in the Loop Marketing Agreement. Any Tax on such service fee will be borne by Loop.

6.4.3. On the Initial Closing Date, the JVCo shall execute the Ester Services Agreement for provisions of services set out therein including assisting the JVCo in relation to the Project like obtaining permits and registrations, identifying and purchasing land parcel, assisting the JVCo with obtaining funding for the Project Cost in terms of Clause 4.2 above. The Parties agree that the aggregate service fee payable by the JVCo to Ester under the Ester Services Agreement for a financial year shall be as set out in the Ester Services Agreement.

### 6.5. Financial and Other Information

6.5.1. At all times during the term of this Agreement, and subject to Applicable Law, the JVCo shall:

- (i) supply to Ester and Loop, in English, with respect to the JVCo:
  - (a) the financial statements and any other operating information, as may be requested from time to time (including, but not limited to, profitability and returns statement, a balance sheet and comparisons of actual expenditure to budget) and un-audited quarterly financial statements and information, within 45 (forty five) days of the end of each fiscal quarter, prepared in accordance with the generally accepted accounting standards and principles;
  - (b) the audited financial statements within 60 (sixty) days after the end of the relevant financial year end, together with notes thereto, in accordance with the generally accepted accounting standards and principles, along-with the reports by auditors or Directors in respect of such statements;
  - (c) an annual budget within 30 (thirty) days prior to the end of each financial year;
  - (d) the Board's compliance certificates in respect of the reports, if any, filed by the JVCo with any regulatory authority or Governmental agency or any other Governmental Authority;
  - (e) any internal and external audit reports; and
  - (f) information with respect to the commencement of any material claim, litigation or proceedings within 10 (ten) days of the request;
  - (g) provide to Ester and Loop within 30 (thirty) days, such other additional information, as may be reasonably requested by Ester and Loop, from time to time.

#### 6.6. Accounting Principles

The JVCo shall prepare its accounts and other financial statements and the quarterly financial statements in accordance with the applicable generally accepted accounting standards and principles in India as well as generally accepted accounting standards and principles in the United States of America.

#### 6.7. Accounting Year

All financial records of the JVCo shall be maintained in the English language and the accounting year of the JVCo shall begin on 1<sup>st</sup> April each year and end on 31<sup>st</sup> March of the following year.

#### 6.8. Auditors and Advisors

The statutory auditors for the JVCo shall be such firm of chartered accountants which is appointed by the Board from time to time in accordance with Applicable Law.

#### 6.9. Books and Records

The JVCo shall at all times maintain proper books of account and records, which shall contain accurate and complete records of all transactions, receipts, expenses, assets and liabilities of the JVCo. Such books and records shall be open for inspection by any member of the Board.

#### 6.10. Inspection and Information

Each of Ester and Loop may examine the books of accounts, records and accounts to be kept by the JVCo, at their respective costs and during normal business hours upon giving a prior written notice of 2 (two) Business Days to the JVCo. Such an inspection may be conducted through an employee of, or consultant or advisor to Ester or Loop, as the case may be.

#### 6.11. Other Covenants

6.11.1. Related Party Transactions: The Parties hereby agree and undertake that all agreements and arrangements to be entered and/ or executed by the JVCo, and/ or Ester, and/ or Loop, with any Person in connection with the JVCo, shall be entered into subject to the unanimous approval of the Shareholders and in compliance with the Applicable Law. The Parties recognize that the related party agreements expressly enumerated below, will be entered into by the JVCo and each of the Parties shall exercise all necessary powers and authority available with them to cause the JVCo to duly execute the said agreements: (i) Loop License Agreement; (ii) the Loop Marketing Agreement; and (iii) Ester Services Agreement. Further, the JVCo and Ester shall enter into a tolling agreement in relation to the Ester Tolling Arrangement on such terms as may be agreed amongst the Parties.

6.11.2. Branding: The Parties have agreed that the JV Products will be sold under Loop's brand or any other brand as suggested or recommended by Loop in accordance with the provisions of the Loop License Agreement; provided that the name of the JVCo shall appear as the manufacturer of the JV Products on product bags, containers, or other bulk packaging materials.

6.11.3. Project Scope Enlargement: The Parties agree that the Parties may enlarge the scope of the Project, subject to mutual agreement in writing.

6.11.4. Taxes: The JVCo must pay all Taxes due and payable by it, unless:

- (i) payment of those Taxes is being contested in good faith; and
- (ii) adequate reserves are being maintained by the JVCo for the payment and discharge of those Taxes.

#### 6.12. Utilization of Cash Flows

6.12.1. The Parties agree that the cash flow of the JVCo shall be utilized for the following purposes:

- (i) for the ordinary business of the JVCo;
- (ii) for payment of statutory dues including applicable Taxes;
- (iii) for meeting the JVCo's expenses, including but not limited to those in connection with construction, development and administration of the Project, and establishment cost;
- (iv) for payment of interest and instalment on the Third-Party Debt and working capital loans and repayment thereof;
- (v) For future capex plan (maintenance and expansion); and/or
- (vi) Any Business Opportunity, subject to the provisions of Clause 5.5 above.

## 7. FUTURE FUNDING

7.1. At any time after infusion of the Committed Capital into the JVCo, if the Board in exercise of its reasonable judgment, determines that the JVCo requires financing including to meet its working capital requirements (including, without limitation, the requirements of the Business Plan) excluding any Project Cost Overruns ("Future Funding"), then the manner and quantum of such Future Funding shall be determined based on good faith discussions amongst Shareholders and the Shareholders shall cause such Future Funding through one or a combination of the following or such other method as may be agreed amongst the Shareholders:

7.1.1. loans from Financial Institutions, if and to the extent, in the determination of the Board, the terms of such borrowings are fair and reasonable, in light of then existing market conditions;

7.1.2. contributions from Ester and /or Loop, by way of subscription to such types of Securities, as permissible under Applicable Law such that each of Ester and Loop continue to hold the same proportion of Equity Shares, as held by them immediately prior to the Future Funding. The procedure at Clauses 4.6 and 4.8 shall apply *mutatis mutandis* with respect to such Future Funding, if applicable.

7.2. To the extent permitted under Applicable Law, each of Ester and Loop shall be permitted to exercise its rights to invest under this Clause 7 through an Affiliate and if such rights are exercised then the provision of Clause 10.4 shall apply *mutatis mutandis*.

7.3. Other than as permitted in this Clause 7, no Shareholder shall have the right to renounce its entitlement in favour of any Third Party.

## 8. CORPORATE GOVERNANCE OF THE JVCO

### 8.1. Management of the JVCo with the Board of Directors

Subject to the rights of the Parties contained in the Charter Documents and this Agreement, the management of the JVCo shall rest with the Board, and the Board shall be responsible for the overall direction and supervision of the management of the JVCo. The officers of the JVCo shall have the authority and responsibilities delegated by the Board, consistent with the Charter Documents and this Agreement.

### 8.2. Number of Directors

8.2.1. Subject to Clause 18.17 (*Fall Away of Right*) and Clause 4.8.5, the Board shall comprise of 6 (six) Directors, one half of which shall be Ester Directors and the other half shall be Loop Directors. Further, subject to the finalization of the Board, the Parties may mutually agree to increase the number of Directors in future, as and when required by the JVCo.

8.2.2. The Directors shall not be liable to retire by rotation.

### 8.3. Appointment and Removal of Directors

8.3.1. The Parties agree to use their respective voting power in the JVCo to ensure that the Board is constituted by persons in the manner set out in this Agreement and in accordance with the recommendations made by the Parties pursuant to Clause 8.2 above.

8.3.2. Except where a Director is required by Applicable Law or the Charter Documents to vacate office, no Director shall be removed, during the term for which such Director was elected, without the consent of the Shareholder which recommended the appointment of such Director on the Board. Notwithstanding the foregoing, a Shareholder may ask for removal, substitution or recall for any reason, of any of the Directors recommended by such Shareholder. Each Shareholder agrees to co-operate with the other Shareholder in convening a meeting of the Shareholders of the JVCo to effect such removal and to vote in favor thereof, if so required.

#### 8.4. Vacancy

In the event a vacancy shall occur for any reason on the Board, each Shareholder agrees to cause the JVC to immediately convene a meeting of the Board and endeavor to cause its representatives to exercise their voting rights so as to appoint a replacement to hold office until the date of the next Annual General Meeting. The failure to do so shall not constitute a waiver of such right nor shall it prevent the exercise of such right prospectively. Such vacancy shall be filled by an individual, who shall be recommended for appointment by the Shareholder that recommended the appointment of the Person to be replaced. The new appointee shall hold office up to the date on which the Director in whose place he is appointed would have held office, if such Director had not been vacated and the new appointee shall be eligible for reappointment on the expiry of his office.

#### 8.5. Alternate Directors

In the event of any Director ("Original Director") being likely to be absent for a period of at least 3 (three) months from the state in which meetings of the Board are ordinarily held, the Board may at a meeting or by way of a circular resolution appoint an alternate Director for such Original Director in the manner specified herein. The Original Director in whose place such alternate Director is to be appointed or the Shareholder who appoints such Original Director shall designate the Person to be appointed as an alternate Director to the Board and the Board shall only appoint such person as the alternate Director.

#### 8.6. Appointment of Chairman

8.6.1. The Board shall have a non-executive chairman (the "Chairman"). The Chairman shall not have a casting or second vote.

8.6.2. The first Chairman of the JVC shall be nominated from amongst the Ester Directors and thereafter be appointed on a rotational basis between Loop and Ester. In the event that the Chairman is absent in a meeting of the Board, the Board shall elect 1 (one) of the Directors present at such meeting to be the Chairman of the meeting.

8.6.3. The term of office of the Chairman shall be 2 (two) years from the date of his/ her appointment.

#### 8.7. Committees of the Board

8.7.1. The Board shall have the power to constitute, if necessary, committees or sub-committees of the Board and delegate such of the Board's powers to the aforesaid committees as the Board may deem fit.

8.7.2. Any committee or sub-committee shall consist of the same proportion of Ester and Loop representatives as the Board at any given time, except if waived by Ester/Loop (as the case may be).

8.7.3. Unless agreed in writing by the Parties or otherwise permitted under this Agreement, all provisions of this Agreement relating to the Board and its meetings shall be applicable to the committees mentioned in this Clause 8.7. Any permanent invitee to such committees or sub-committees, if any, shall be determined by the Board of Directors.

#### 8.8. Proceedings of the Board

##### 8.8.1. Meetings of the Board:

- (i) A meeting of the Board of Directors shall be held at least once in every quarter to transact business and at least 4 (four) such meetings shall be held in every calendar year. The gap between any of the two meetings shall not be more than 90 (ninety) days, unless otherwise agreed amongst the Shareholders. The Directors may adjourn or otherwise regulate their meetings and proceedings as they may deem fit. The meetings of the Board shall be called by the Company Secretary of the JVCo or by the Chairman. Any member of the Board may request, in writing, the secretary of the JVCo or the Chairman to call a meeting of the Board, and upon being so requested the Company Secretary of the JVCo or the Chairman shall call a meeting of the Board. If such meeting of the Board is not called within 5 (five) days of the written request, such member of the Board, who has made the written request shall have the right to call a meeting of the Board. The Directors may attend a Board meeting through telephone or any other means of communication, including, but not limited to videoconferencing, as may be allowed under the Companies Act.
- (ii) The Board shall only transact the business that is set out in the agenda accompanying the notice of the meeting of the Board of Directors that is served on the Directors, unless such other matter/ business (which is not contained in the agenda accompanying the notice that is served on the Directors) is agreed to be taken up in the same meeting, in writing by at least 1 (one) Ester Director and 1 (one) Loop Director.
- (iii) The JVCo shall not directly or indirectly resolve, consider or take any action in relation to any Reserved Matter at a Board Meeting (including an adjourned Board Meeting), a meeting of any committee of any Directors or by way of a circular resolution unless the relevant Reserved Matter has received the affirmative written consent of Ester and Loop in accordance with Clause 9.5.

#### **8.8.2. Agenda and Place of Meetings:**

At least 10 (ten) Business Days' notice of any meeting of the Board (such notice being also deliverable through e-mail transmission) shall be given to each of the members of the Board. Any such notice shall contain an agenda identifying in reasonable detail the matters to be discussed at the meeting, and shall be accompanied by relevant papers or documents with respect to the items to be discussed at the meeting. Notwithstanding the above, the Parties agree that a meeting of the Board may be convened at shorter notice subject to at least 1 (one), Ester Director and 1 (one) Loop Director approving the proposal to convene such meeting at short notice. In case, a Board meeting is convened at shorter notice, the JVCo shall be entitled to present the agenda and accompanying papers in such form and manner as may be expedient in the circumstances.

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#### **8.8.3. Quorum – Board Meeting:**

- (i) Subject to this Clause 8.8.3, no quorum for a meeting of the Board shall be validly constituted unless all of the Ester Directors and all of the Loop Directors are present or represented by his/ her alternate at any meeting of the Board.
- (ii) In the event any Ester Director or an Loop Director, or their respective alternate, is unable to attend Board's meeting, the Board meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day, which is not a public holiday, at the same time and place, for the consideration of items on the agenda of the original meeting.

(iii) In the event, any Ester Director or Loop Director, or their respective alternates, is/ are absent at such adjourned meeting the Directors present (being at least 2 (two) individuals) shall constitute a valid quorum and the Board may proceed to pass a resolution on any matter on the agenda to be considered at such Board meeting, subject to such matter not being a Reserved Matter.

#### 8.8.4. Directors Expenses and Remuneration:

The Directors shall not be entitled to sitting fees or any other remuneration for attending meetings of the Board and/or meetings of the committee thereof, unless otherwise determined by the Board. The JVCo shall be liable for and bear all the other out of pocket costs and expenses, including travel and hotel, incurred by the Ester Directors and the Loop Directors, as the case may be, for attending any meeting of the Board and/or meetings of the committee thereof.

#### 8.9. Board Voting

The decisions by the Board shall be decided by a simple majority vote other than in relation to a Reserved Matter. Each Director shall have 1 (one) vote.

#### 8.10. Resolutions by Circulation

Save as required by Applicable Law, a resolution by circulation, or a resolution passed at a video/ audio conference, which has been confirmed subsequently as a resolution by circulation, shall be as valid and effectual as a resolution duly passed at a meeting of the Directors called and held in accordance with the provisions of the Applicable Law and the Charter Documents, provided it has been circulated in draft form, together with the relevant papers, if any, to all the Directors and has been approved by the affirmative vote of a majority of the Directors, provided that if such matter is a Reserved Matter, the affirmative consent of at least 1 (one) Loop Director and 1 (one) Ester Director shall be required.

#### 8.11. Minutes

8.11.1. The draft minutes of each Board meeting shall be circulated to all the Directors within 10 (ten) days of the Board meeting.

8.11.2. The minutes of a meeting shall be discussed and approved by the Directors including an affirmative vote of at least 1 (one) Ester Director and 1 (one) Loop Director, at the succeeding Board meeting.

8.11.3. The minutes of each meeting of the Board shall be valid upon signature by the Chairman of the meeting.

#### 8.12. Appointment of CEO, CFO, Company Secretary and Directors' & Officers' Insurance

8.12.1. The Parties agree that the Chief Executive Officer ("CEO") of the JVCo shall be nominated by the Shareholders in accordance with Clause 9.5. The CEO shall have the powers and responsibilities, as the Board may, from time to time, delegate to the CEO. Unless otherwise agreed, the CEO shall not be a director of the JVCo.

8.12.2. The Parties agree that the Chief Financial Officer ("CFO") of the JVCo shall be nominated by the Shareholders in accordance with Clause 9.5. The CFO shall have the powers and responsibilities, as the Board may, from time to time, delegate to the CFO.

8.12.3. The JVCo shall obtain and maintain a directors' and officers' liability insurance with commercially reasonable coverage, which shall be procured by the JVCo within 60 (sixty) Business Days of the Initial Closing Date.

8.12.4. The Charter Documents shall at all times specifically provide for indemnification for the Directors of the JVCo.

8.12.5. One of the Directors shall be the 'occupier' under Applicable Law for the purposes of each factory owned and operated by the JVCo. The initial 'occupier' shall be an Ester Director and subject to Applicable Law, shall be alternated between an Ester Director and a Loop Director every 3 (three) years from the date of obtaining the necessary licenses for each such factory.

#### 8.13. Custody of Documents

The JVCo shall keep custody of all the original title documents and approvals relating to Project, unless the same is deposited with the lender(s) to the JVCo or its trustee(s) in future.

### 9. SHAREHOLDERS' MEETINGS

#### 9.1. Meetings

9.1.1. Meetings of the Shareholders shall be in accordance with the Applicable Law and the Charter Documents, and if not provided therein, as otherwise determined pursuant to Applicable Law, and shall be held at the registered office of the JVCo or at the place designated in the notice issued by the JVCo to the Shareholders.

9.1.2. The JVCo shall not directly or indirectly resolve, consider or take any action in relation to any Reserved Matter at a Shareholders meeting (including an adjourned Annual General Meeting), unless the relevant Reserved Matter has received the affirmative written consent of Ester and the Loop in accordance with Clause 9.5.

9.1.3. Subject to Applicable Law and the provision of proper facilities by the JVCo, the Shareholders, representatives of the Shareholders or proxies of the Shareholders, as the case may be, may participate in the relevant general meetings of the JVCo via electronic mode or such other contemporaneous communication as permitted under Applicable Law. The Chairman (appointed in accordance with this Agreement) and the Company Secretary (if appointed) shall be responsible for the matters specified under Applicable Law in relation to the conduct of the general meeting of the JVCo through video-conference.

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#### 9.2. Quorum – Shareholders' Meeting

The quorum for a meeting of the Shareholders shall be in accordance with the Applicable Law, *provided that* no meeting of the Shareholders shall be validly quorate unless 1 (one) authorized representative of each of Ester and Loop is present at such meeting of the Shareholders, and in absence of the quorum, the Shareholders' meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, or to such other day and at such other time and place, as the Board may determine, for the consideration of items on the agenda of the original meeting.

#### 9.3. Chairman

The Chairman of the Board shall be the chairman of meetings of the Shareholders. The Chairman shall not have a casting or second vote.

#### 9.4. Shareholder Resolutions

9.4.1. A resolution of the Shareholders, considered at a meeting of the Shareholders, either by show of hands or by way of a vote on a secret poll, shall be adopted upon receipt of the requisite majority under Applicable Law.

9.4.2. Each Shareholder agrees to exercise its voting rights as a Shareholder to fully and effectively implement the spirit, intent and specific provisions of this Agreement. The Shareholders expressly agree and undertake to cooperate with each other in the management, administration and affairs of the JVCo and the operation of the business and at all times to exercise their voting rights, or to cause their separate representatives or proxies, who may exercise such voting rights on their behalf, at any Shareholder meeting hereunder in a manner that shall give effect to and comply with the provisions of this Agreement. Each Shareholder (as applicable) shall endeavour to ensure that every Director or representative of such Shareholder (as the case may be), while serving as Director or representative shall, in the performance of such duties, exercise good faith and the standard of diligence, skill and care required under Applicable Law.

9.4.3. In addition to its obligations under Clause 9.4.2, each Shareholder shall exercise its rights as a Shareholder in the JVCo in such manner as could reasonably be expected to prevent, and shall not exercise those rights in any manner which could reasonably be expected to result in a breach by the JVCo of any of its obligations under this Agreement or any restrictions imposed upon it under the Charter Documents (whether or not enforceable against the JVCo itself).

## 9.5. Reserved Matters

9.5.1. Notwithstanding anything contained elsewhere in this Agreement and subject to Applicable Law, the Parties agree that no decision shall be made and no action shall be taken with respect to JVCo or any of its subsidiaries, whether in general meetings, meetings of the Board or otherwise, in relation to:

- (i) any of the matters set forth in **PART A OF SCHEDULE II**, without the written consent of each of the Shareholders holding at least 50% (fifty percent) of the total share capital of the JVCo; and
- (ii) any of the matters set forth in **PART B OF SCHEDULE II**, without the written consent of each of the Shareholders holding at least 26% (twenty six percent) of the total share capital of the JVCo.

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## 10. TRANSFER AND EXIT

### 10.1. Restrictions on Transfer

10.1.1. Subject to Clause 10.2 below, Ester covenants and agrees with Loop, that it shall not (directly or indirectly) Transfer, any of the Securities or voting interests therein owned by it to any Person or create any Encumbrance over the Securities owned by Ester, except as expressly required or permitted under Clauses 10.4 and 10.5 below.

10.1.2. Subject to Clause 10.2, Loop covenant and agrees with Ester that Loop shall not (directly or indirectly) Transfer, any of the Securities or voting interests therein owned by it to any Person or create any Encumbrance over the Securities owned by Loop, except as expressly required or permitted under Clauses 10.4 and 10.5 below.

10.1.3. The Transfer of any of the Securities by Ester and Loop in accordance with the terms of this Agreement shall only be in compliance with Applicable Law.

10.1.4. Any Transfer of Securities by a Shareholder, which is not in compliance with this Clause 10, shall be considered to be a material breach of this Agreement by such Shareholder and shall be *void ab initio*. The JVCo shall not record or register any such attempted Transfer/agreement or arrangement to Transfer on its books, and shall not recognize and shall reject, any equitable or other claim to, or any interest in, such Securities which have been attempted to be Transferred in any manner otherwise than in accordance with the terms of this Agreement. The Parties agree that all such Transfers in violation of this Agreement shall be deemed to be a breach of this Agreement and shall form "sufficient cause" within the meaning of the Act for the Board to refuse the registration of such transfer by the JVCo.

#### 10.2. Lock in Period

The Parties acknowledge and agree that, subject to Applicable Law, each of Ester and Loop shall not Transfer or attempt to Transfer any of the Securities held by them until a period of 5 (five) years from the Commercialization Date (hereinafter be referred to as the "**Lock-In Period**").

#### 10.3. Procedures with respect to Transfer of Securities

Any Transfer or attempted Transfer of Securities made by any Shareholder in violation of this Agreement shall be null and void. Neither the Board nor the Parties shall approve or ratify any Transfer of Securities made in contravention of this Agreement and the JVCo shall be caused not to record any such Transfer on the statutory registers maintained by the JVCo in respect of the Securities and shall reject and reverse such erroneous Transfer made or attempted, *suo moto*, and the Board may institute proceedings for this purpose, if required by Applicable Law.

#### 10.4. Transfers to Affiliates

10.4.1. Notwithstanding any other provision of this Clause 10 (except this Clause 10.4) subject to the provisions of this Agreement, each of Ester and Loop may, at any time, and in compliance with the Applicable Law, Transfer all or any of the Securities respectively owned by it, to one or more of their respective Affiliates, provided that such Affiliate, prior to such Securities being Transferred in its (the Affiliate's) name, agrees and undertakes to be bound by the terms and conditions of this Agreement and executes an Affiliate Deed of Adherence in the form and manner attached in **SCHEDULE III**. Such Transfer of Securities shall be permitted subject to the condition that the relevant Shareholder shall, at all times, be responsible and liable to discharge all its obligations to the other Shareholder and JVCo and subject to compliance with this Agreement.

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10.4.2. If a Person holding Securities in accordance with the provisions of this Agreement by virtue of being an Affiliate of Ester or Loop (Ester and Loop in such context being hereinafter called the "**Parent Party**"), ceases to be such an Affiliate, the Parent Party shall, prior to the Affiliate ceasing to be an Affiliate of the Parent Party, acquire or cause any of its other Affiliates to acquire, full and unconditional title in and to all of the Securities then held by such Person ceasing to qualify as an Affiliate. Further, the relevant Parent Party shall cause such of its other respective Affiliate to comply with the terms and conditions of this Agreement to the extent applicable.

10.4.3. It is hereby clarified that, each of Ester and its Affiliates and Loop and its Affiliates shall act jointly as a block with respect to all rights, covenants or obligations of each of Ester and its Affiliates and Loop and its Affiliates, that is/ are exercised, made or undertaken under this Agreement under the Applicable Law and there shall be no duplication of rights among the Affiliates of Ester and Loop.

## 10.5. Right of First Offer

- 10.5.1. Subject to the restriction contained in Clause 10.1 and Clause 10.2 and the provisions of this Clause 10.5 and Clause 10.6, after the expiry of the Lock-In Period, each of Ester and Loop may sell any of the Securities held by it, to any Person, who is not a JVCo Competitor and/or a Prohibited Person, for cash consideration.
- 10.5.2. In the event either of Ester or Loop ("Selling Shareholder") desires to Transfer any of the Securities held by it ("Shareholder ROFO Shares") to any Person not being the Affiliate of the Selling Shareholder, such Selling Shareholder shall send a written notice (the "Shareholder ROFO Notice") to the other Shareholder ("Non-Selling Shareholder") stating its intention to Transfer the Shareholder ROFO Shares and the number of Shareholder ROFO Shares such Selling Shareholder proposes to Transfer.
- 10.5.3. At any time within 15 (fifteen) days after the receipt of the Shareholder ROFO Notice by the Non-Selling Shareholder ("Shareholder ROFO Transfer Notice Period"), the Non-Selling Shareholder shall have the right (but not an obligation), exercisable at its sole discretion, to exercise its right to purchase all but not less than all of the Shareholder ROFO Shares in accordance with this Clause 10.5 ("Shareholder ROFO") by giving a written notice ("Shareholder ROFO Exercise Notice") to the Selling Shareholder, stating (i) its intention to purchase all but not less than all of Shareholder ROFO Shares ("Exercised Shareholder ROFO Shares"), (ii) the proposed price per Exercised Shareholder ROFO Share (the aggregate consideration for the Exercised Shareholder ROFO Shares being the "Shareholder ROFO Offer Price"), (iii) the date of the proposed Transfer, and (iv) the material terms and conditions applicable to the proposed Transfer (collectively, "Shareholder ROFO Offer Terms"). In the event that a Non-Selling Shareholder does not wish to exercise the Shareholder ROFO, it shall inform in writing to the Selling Shareholder prior to the expiry of the Shareholder ROFO Transfer Notice Period.

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- 10.5.4. If the Selling Shareholder wishes to Transfer the Shareholder ROFO Shares to the Non-Selling Shareholder on the Shareholder ROFO Offer Terms, then within 30 (thirty) days of the expiry of the Shareholder ROFO Transfer Notice Period ("Shareholder ROFO Acceptance Period"), the Selling Shareholder shall communicate to the Non-Selling Shareholder its decision to Transfer such Exercised Shareholder ROFO Shares at the Shareholder ROFO Offer Price ("Shareholder ROFO Acceptance Notice"). In the event a Selling Shareholder issues a Shareholder ROFO Acceptance Notice, the Non-Selling Shareholder shall have the obligation to purchase the Exercised Shareholder ROFO Shares at the Shareholder ROFO Offer Price in accordance with the Shareholder ROFO Offer Terms.
- 10.5.5. If the Selling Shareholder issues a Shareholder ROFO Acceptance Notice, then, within 30 (thirty) days from the date of receipt of the Shareholder ROFO Acceptance Notice, the Non-Selling Shareholder shall pay the Shareholder ROFO Offer Price to the Selling Shareholder and the Selling Shareholder shall, simultaneous with such payment, tender the Exercised Shareholder ROFO Shares to the Non-Selling Shareholder, in accordance with the applicable Shareholder ROFO Offer Terms.

10.5.6. If the Selling Shareholder does not issue a Shareholder ROFO Acceptance Notice, then the Selling Shareholder shall be permitted to transfer all (but not less than all) of the Shareholder ROFO Shares to any Person ("Third Party Transferee") at a price which is higher than (but for avoidance of doubt, not equal to or less than) the Shareholder ROFO Offer Price ("Third Party Price") offered by the Non-Selling Investor and on terms not less favourable to the Selling Shareholder than the Shareholder ROFO Offer Terms ("Third Party Terms") offered by the Non-Selling Shareholder, subject to the transferee executing a Deed of Adherence adopting the terms of this Agreement.

10.5.7. If the Selling Shareholder fails to Transfer the Shareholder ROFO Shares within 90 (ninety) days from the date of receipt of the Shareholder ROFO Exercise Notice, the Selling Shareholder shall not Transfer any Shares to a Third Party without following the process set out in this Clause 10.5 again.

10.5.8. Where the Shareholder ROFO Shares comprise of all of the Securities held by the Selling Shareholder, the Third Party Transferee or the Non-Selling Shareholder, as the case may be shall, subject to Applicable Law, be required to acquire or appropriately substitute all debt owed by the JVCo to such Selling Shareholder and replacing all guarantees and/or other securities that may have been issued/granted by the Selling Shareholder in relation to the JVCo, from such Selling Shareholders along with the Selling Shareholder ROFO Shares and in case the acquisition of debt/replacement of guarantees is not possible under the Applicable Law, then, Third Party Transferee or the Non-Selling Shareholder, as the case may be shall ensure all relevant debt attributable to the Selling Shareholder is retired/repaid.

#### 10.6. Tag Along Right

10.6.1. If: (i) the Non-Selling Shareholder does not exercise its Shareholder ROFO (pursuant to Clause 10.5), or (ii) the Selling Shareholder does not accept the Shareholder ROFO Offer Price and the Shareholder ROFO Offer Terms from the Non-Selling Shareholder within the Shareholder ROFO Acceptance Period, then the Non-Selling Shareholder shall have the right (the "**Tag-Along Sale Right**"), but not the obligation, to participate in the proposed Transfer of Shares to the Third Party Transferee by selling to the proposed Third Party Transferee, at the Third Party Price and Third Party Terms, such proportion of Securities held by the Non-Selling Shareholder which shall be equal to or less than the proportion of the Shareholder Shares ROFO Shares and the total Securities held by the Selling Shareholder ("**Tag-Along Shares**").

10.6.2. The Tag-Along Sale Right may be exercised by the Non-Selling Shareholder by delivering a written notice to the Selling Shareholder ("**Tag-Along Sale Notice**") no later than the expiration of the Shareholder ROFO Transfer Notice Period (in case the Shareholder ROFO is not excised by the Non-Selling Shareholder) or 30 (thirty) days of the expiry of the Shareholder ROFO Acceptance Period (in case the Shareholder ROFO is exercised by the Non-Selling Shareholder) as the case may be.

10.6.3. If the Non-Selling exercises its Tag-Along Sale Right pursuant to Clauses 10.6.1 and 10.6.2 the Transfer of the Shares by the Selling Shareholder to the proposed Third Party Transferee shall be conditional upon such proposed Third Party Transferee acquiring the Tag-Along Shares that the Non-Selling Shareholder wishes to sell ("Tag-Along Sale Shares") on the same price and terms as the Shareholder ROFO Shares, prior to or concurrently with the acquisition of any Shareholder ROFO Shares of the Selling Shareholder.

10.6.4. Where the Shareholder ROFO Shares and Tag-Along Sale Shares comprise of all of the Securities held by the Shareholders, the Third-Party Transferee shall be required to acquire or appropriately substitute all debt owed by the JVCo to the Shareholders, from the Shareholders, along with the Shareholder ROFO Shares and the Tag-Along Shares and replacing all guarantees and/or other securities that may have been issued/granted by the Shareholders in relation to the JVCo, subject to Applicable Law.

## 10.7. Initial Public Offering

10.7.1. The Parties may use commercially reasonable efforts to initiate and complete an initial public offering of the JVCo ("IPO") within 24 (twenty-four) months from the Commercialization Date. The IPO shall be conducted such that:

- (i) The Equity Shares are listed or quoted on any one of the Recognized Stock Exchange;
- (ii) The proportion of primary and secondary Equity Shares being offered are approved by the Board of the JVCo. Each Shareholder shall be entitled, at their sole and absolute discretion, to sell the Equity Shares held by them in an IPO up to their pro rata entitlement based on the Shareholders *inter se* shareholding in the JVCo; and
- (iii) The IPO complies with all Applicable Laws and the Shareholders shall on a commercially reasonable basis comply with all requirements in relation to the IPO.

## 10.8. Put and Call Option

10.8.1. Following the Initial Closing Date, in the event there is a change in Control of either of Ester or Loop ("CoC Party"; accordingly, the other Party shall be referred to as the Non-CoC Party for the purposes of this Clause 10.8), the following provisions shall apply:

- (i) If Loop is the CoC Party, Ester shall have an option to call upon Loop to purchase all the Securities ("Put Option Right") held by Ester ("Put Shares") at a Fair Market Value of the Securities ("Put Option Exercise Price").
- (ii) If Ester is the CoC Party, Loop shall have an option to call upon Ester to sell all the Securities ("Call Option Right") held by Ester ("Call Shares") to Loop at a Fair Market Value of the Securities ("Call Option Exercise Price").

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10.8.2. If the Non-CoC Party, exercises the Put Option Right or the Call Option Right, as the case may be in accordance with Clause 10.8.1 above, it shall issue a notice in writing ("Option Exercise Notice") to the CoC Party, for the transfer of all of the Put Shares/Call Shares from Ester to Loop. Within 30 (thirty) Business Days of the receipt of the Option Exercise Notice ("Option Period") Loop shall either itself or through its Affiliates purchase all of the Put Shares/Call Shares at the Put Option Exercise Price/Call Option Exercise Price and simultaneously Ester shall transfer the Put Shares/Call Shares to Loop.

10.8.3. The consideration to be paid by Loop to Ester shall be paid in cash.

10.8.4. Upon the exercise of the Put Option Right/Call Option Right, the Parties shall cooperate with each other and provide all necessary assistance to each other, including executing necessary documents, deeds, forms and undertakings (as may be required) to complete the sale and purchase of the Put Shares/Call Shares.

10.8.5. On completion of the sale and purchase of the Put Shares/Call Shares, unless otherwise agreed between Ester and Loop, this Agreement and all Ancillary Documents shall stand terminated with immediate effect and the selling Shareholder shall have no interest in the JVCo or management rights or right to receive any dividend. The Parties shall undertake necessary actions, including execution of documents, deeds, undertakings, filings with any Governmental Authority. Upon termination, the Parties shall be bound by all the provisions which shall survive termination of the aforesaid documents. Notwithstanding the foregoing, (i) all licenses agreements between the Shareholders and JVCo or any Affiliate thereof shall continue in accordance with their respective terms, and notwithstanding anything contrary contained in this Agreement, (ii) it shall be a condition to the sale and purchase of the Put Shares/Call Shares that the exiting Shareholder and JVCo enter into a 12-month transition services agreement in respect of the services provided by such exiting Shareholder to JVCo immediately prior to the sale and purchase of the Put Shares/Call Shares, the whole on terms to be negotiated in good faith between the Parties. For the avoidance of doubt it is clarified that subject to Applicable Law, Loop shall be required to acquire or appropriately substitute all debt owed by the JVCo to Ester, if any, along with the Put Shares/ Call Shares and replacing all guarantees and/or other securities that may have been issued/granted by Ester in relation to the JVCo, subject to Applicable Law.

## 11. DEADLOCK

11.1. For the purpose of this Clause “**Deadlock**” shall mean:

11.1.1. the failure to pass any resolution or resolve any matter which is required to be passed or resolved by the Board or the Shareholders in a general meeting and which, if not passed or resolved, is likely to materially and adversely affect the continued existence or financial viability of a material portion of the business of the JVCo;

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11.1.2. the failure to pass any resolution or to resolve any matter which is required to be passed or resolved by the Board or by the Shareholders in a general meeting and which, if not passed or resolved, will render it extremely difficult or impossible to continue carrying on the material business of the JVCo; or

11.1.3. an irretrievable breakdown of the relationship between the Shareholders that is materially undermining the day-to-day operations of the JVCo.

11.2. In the event any Deadlock arises, Ester or Loop (as the case may be) may provide a written notice to the other and the Board describing the Deadlock (“**Deadlock Notice**”). Such Deadlock shall thereafter be escalated for resolution and mediation to the Chairman & Managing Director of Ester and the CEO of Loop (“**Senior Executive Panel**”). The said mediation shall take place for a period of 12 (twelve) Business Days or such other period as may be agreed by the Senior Executive Panel from the date of referral to the Senior Executive Panel (“**Internal Mediation Period**”) and the members of the Senior Executive Panel shall meet at-least once in every 4 (four) Business Days to resolve such Deadlock during the Senior Executive Mediation Period. Any resolution to a Deadlock shall be in writing and shall be implemented in terms of the resolution of the Deadlock.

11.3. In the event that the Deadlock is not resolved within the Internal Mediation Period, the Deadlock may be referred by either Shareholder to the Singapore International Mediation Centre for mediation in accordance with the Singapore International Mediation Centre Mediation Rules for the time being in force. If the Deadlock cannot be resolved through such mediation within 30 (thirty) calendar days after commencement of mediation at the Singapore International Mediation Centre, or within such extended period as may be agreed by the parties ("SIMC Mediation Period"), either Shareholder may submit the Deadlock for arbitration in accordance with Clause 17 provided that: (i) the provisions of this Agreement shall continue to apply as if no Deadlock has taken place, (ii) the JVCo shall continue to comply with all Applicable Laws, irrespective of the Deadlock, within the timelines prescribed thereunder.

## 12. REPRESENTATIONS AND WARRANTIES

12.1. Each Party represents and warrants to the other Parties that:

12.1.1 it has full power and authority to enter into this Agreement and to perform its obligations under this Agreement;

12.1.2 it is duly incorporated under the Applicable Laws of its incorporation, is validly existing, and is duly registered and authorised to do and conduct its business;

12.1.3 the execution and delivery of this Agreement and the performance by it of its obligations under this Agreement has been duly and validly authorised by all necessary actions on its part;

12.1.4 it has obtained all applicable approvals of the Governmental Authorities and any third-party approvals required to empower it to: (i) enter into this Agreement; and (ii) perform its obligations under this Agreement;

12.1.5 the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, and the fulfilment of and compliance with the terms and conditions hereof, do not: (i) violate any Applicable Laws, judicial or administrative order, award, judgment or decree applicable to such Party; or (ii) conflict with the terms, conditions or provisions of its constitution documents or any other contractual obligations or regulations;

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12.1.6 there has been no proceeding, order, injunction, or other action issued, pending or threatened in writing, which prohibits, prevents, restrains, restricts, delays, makes illegal or otherwise interferes with the consummation of any of the transaction hereunder;

12.1.7 there are no pending claims, investigations, injunctions, proceedings or any other actions before any court, tribunal or Governmental Authority to which it is a party, or which prohibits, prevents, restrains, restricts, delays, makes illegal or otherwise interferes with the consummation of the transactions hereunder;

12.1.8 this Agreement constitutes the valid and legally binding obligations of the Party and shall be enforceable against it in accordance with its terms; and

12.1.9 it is not subject to any Insolvency Event.

12.2. The representations and warranties given by each of the Parties in this Clause 12 shall be true on and as of the Execution Date and the Initial Closing Date with the same effect as if such representations and warranties have been made on and as of the date of the Execution Date and the Initial Closing Date.

12.3. Any amendment, re-enactment or changes to applicable Law made after the Initial Closing Date shall not result in an increase of the liability of any Party in respect of any representations and warranties made by it under Clause 12.

### 13. INDEMNIFICATION

13.1. Each of the Shareholder ("Indemnifying Party") undertakes to indemnify, defend and hold harmless the other Shareholder and its directors and officers, and (where the JVCo is not made an Indemnifying Party) the JVCo, (each an "Indemnified Party"), from and against any and all Losses resulting from or arising out of: (i) any breach of any representation and/or warranty; and/or (ii) any material breach of a covenant or undertaking contained in this Agreement, by the Indemnifying Party in accordance with the terms of this Agreement.

13.2. Each Indemnified Party shall, as soon as practicable after the receipt of notice of the commencement of any claim against such Indemnified Party ("Third Party Claims") in respect of which indemnity may be sought from the Indemnifying Party under this Clause 13, notify the Indemnifying Party in writing of the commencement thereof along with all available information and documentation associated with such Third Party Claim. Similarly, the Indemnified Party shall, as soon as practicable after becoming aware of facts supporting a Claim (other than Third Party Claims) ("Direct Claims") in respect of which indemnity may be sought from the Indemnifying Party under this Clause 13, notify the Indemnifying Party in writing of such Direct Claim, along with all available information and documentation necessary to support and verify any Losses associated with such Direct Claim, including the estimated amount of Losses in connection with the Direct Claim. The notification by the Indemnified Party to the Indemnifying Party under this Clause 13.2 shall be referred to as the "Claims Notice". The omission or delay of an Indemnified Party to so notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability, which it (the Indemnifying Party) may have towards such Indemnified Party, unless and only to the extent that such omission results in the Indemnifying Party's forfeiture of substantive rights or defences.

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13.3. The Indemnifying Party shall, within 15 (fifteen) Business Days from the date of receipt of the Claims Notice, issue a reply to the same, setting forth the Indemnifying Party's intention to either: (a) accept the claim for Losses and the calculation thereto; or (b) contest the claim. In the event the Indemnifying Party accepts the claim for Losses, then, within a period of 30 (thirty) Business Days, the Indemnifying Party shall pay the indemnification amounts as stipulated under the Claims Notice to the Indemnified Party. However, in the event the Indemnifying Party intends to contest the Claim Notice, then, the Parties shall proceed to resolve the claim through the dispute resolution mechanisms set out under Clause 18.1 (Governing Law; Jurisdiction).

13.4. The Indemnifying Party shall not be liable in respect of any liability, which is contingent, unless and until such contingent liability becomes an actual liability and is due and payable, *provided that* any Indemnified Party may give Claims Notice prior to its becoming payable under this Clause, although the same shall be payable by the Indemnifying Party to the Indemnified Party only if, when and to the extent the Claim becomes due and payable, in accordance with the terms of the preceding sentence of this Clause 13.4. The Indemnified Parties shall not be entitled to obtain payment, reimbursement, restitution or indemnity more than once in respect of a Claim.

13.5. Indemnifying Party shall not be liable to the Indemnified Party for Losses hereunder to the extent such Losses are suffered by the Indemnified Party as a result of acts or omissions attributable to the Indemnified Party. The Indemnified Party shall perform (and caused to be performed) all reasonable actions to avoid or mitigate any Losses which it may suffer as a consequence of any event or circumstance likely to give rise to a claim of indemnity under this Agreement.

### 13.6. Conduct of Claims

13.6.1. Direct Claims: An Indemnified Party shall have the liberty to act against the Indemnifying Party and/or may release in whole or in part the liability of the Indemnifying Party under this Agreement, or grant any time, or any other indulgence to the Indemnifying Party without affecting the liability of the Indemnifying Party.

#### 13.6.2. Third Party Claims:

- (i) Upon issuance of the notice of commencement of any Third Party Claim, the Indemnified Party shall, at the request of the Indemnifying Party, make available to the Indemnifying Party a copy of the documents/information/ correspondence available with the Indemnified Party relating to and substantiating any such Third Party Claim. The Indemnifying Party shall, with prior written notice to the Indemnified Party ("**Indemnifying Party Notice**"), be entitled to undertake, conduct and control the defense proceedings of such Third Party Claim, with counsel of its (Indemnifying Party's) choice, so long as the defense proceedings are undertaken, conducted and controlled in a reasonable manner and in good faith.
- (ii) If, the Indemnifying Party elects to undertake, conduct and control the defense proceedings in connection with a Third Party Claim (as provided for under Clause 13.6.2(i) above):
  - (a) the Indemnifying Party shall remain responsible for any and all Losses that the Indemnified Party may suffer resulting from or arising out of or relating to or in the nature of or caused by the Third Party Claim to the fullest extent and as provided in this Clause 13;

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- (b) the Indemnified Party, at its own cost and expense (which shall not be subject to indemnification by the Indemnifying Party) participate in the defense proceedings (as aforesaid) in connection with the said Third Party Claim so long as such participation does not prejudice the defense proceedings being undertaken by the Indemnifying Party;
- (c) so long as the Indemnifying Party is defending a Third Party Claim in a reasonable manner and in good faith, the Indemnified Party shall not, on its sole discretion and initiative, and without prior written consent of the Indemnifying Party (which consent shall not to be unreasonably withheld by the Indemnifying Party), settle or compromise such Third Party Claim;

- (d) notwithstanding the foregoing, in the event: (x) the Indemnifying Party does not within 30 (thirty) days from the date of the Indemnifying Party Notice, undertake, conduct and control the defense proceedings in connection with a Third Party Claim after electing to control the same; or (y) upon having assumed the conduct and control of the defense proceedings, the Indemnifying Party is not defending the Third Party Claim in a reasonable manner and in good faith and this fact has been demonstrated by the Indemnified Party, the Indemnified Party may, on its own accord and in its sole discretion and interest, choose to defend the Third Party Claim. In such an event, the Indemnified Party shall also be entitled to settle or compromise such Third Party Claim;
- (e) For avoidance of doubt, it is clarified that in the event the Indemnified Party proceeds to the settle or compromise any Third Party Claim, without prior written consent of the Indemnifying Party, where the Indemnifying Party having assumed the conduct and control of the defense proceedings in connection with any such Third Party Claim, is defending the said Third Party Claim in a reasonable manner and in good faith, the Indemnified Party shall be deemed to have waived its (Indemnified Party's) right to be indemnified;

13.7. Ester or Loop shall not make any Claim, whatsoever, against the JVCo towards compensation for any indemnification made by either of them as an Indemnifying Party to other (as an Indemnified Party), in accordance with the terms of this Agreement.

#### 13.8. Limitations on Indemnification

13.8.1. Notwithstanding anything to the contrary in this Agreement, the aggregate liability of Ester for a claim under this Clause 13 in relation to any breach of the representations and warranties of Ester shall be limited to 100% (one hundred percent) of the United States Dollar amount of its respective Shareholders Capital Contribution ("Ester Liability Cap").

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13.8.2. Notwithstanding anything to the contrary in this Agreement the aggregate liability of Loop for a claim under this Clause 13 in relation to breach of any of the representations and warranties of Loop shall be limited to 100% (one hundred percent) of the United States Dollar amount of its respective Shareholders Capital Contribution ("Loop Liability Cap").

13.8.3. The limitation of liabilities set out in Clause 13.8.1 and Clause 13.8.2 shall not apply to instances of fraud in relation to Claims.

#### 13.9. Exclusive Remedy

The indemnification provided in this Clause 13 shall be the sole and exclusive monetary remedy available to an Indemnified Party. Provided that nothing in this Clause 13.9 shall limit either Shareholder's right to seek specific performance of any covenants, undertakings or other agreements in this Agreement and under Applicable Law.

### **14. CONFIDENTIALITY**

#### 14.1. Confidential Information

14.1.1. The Parties acknowledge that in the course of performing their obligations under the Agreement each of the Parties may get access to confidential information. For the purposes of this Clause 14, **“Confidential Information”** shall mean all such information, of any kind whatsoever (including, but not limited to, technical, commercial, financial, accounting and legal information), pertaining to the Parties, transactions contemplated herein, the Business of the JVCo (including, methods of operation, customers, customer lists, products, prices, fees, costs, technology, inventions, trade secrets, know-how, software, marketing methods, plans, personnel, suppliers, competitors, markets or other specialized information or proprietary matters) as may have been provided in writing or verbally (provided that any information which has been provided verbally shall be communicated in writing within 15 (fifteen) days from the verbal communication for it to be considered as Confidential Information) in relation to this Agreement and shall include the contents of this Agreement, the fact that the Parties have been involved in the transactions contemplated herein, any analysis and review of meetings or negotiations related to such transactions, the contents, time and status of such negotiations, and generally any and all facts in relation to or concerning such transactions”.

14.1.2. Either of the Party (the **“Receiving Party”**) agrees not to disclose Confidential Information received (whether in writing, verbally or by any other means and whether directly or indirectly) by the other Party (the **“Disclosing Party”**) including in relation to matters contemplated by this Agreement or its performance or in any agreement in furtherance of the performance of this Agreement, to any Third Party without the prior written consent of the Disclosing Party or use the Confidential Information other than for carrying out the purposes of this Agreement.

14.1.3. The Receiving Party shall keep confidential any Confidential Information it receives from the Disclosing Party and shall employ all such reasonable steps that it would have taken to protect its own Confidential Information. The Receiving Party shall disclose Confidential Information received from the Disclosing Party to its officers, employees, agents or representatives only for the purposes of carrying out its obligations under this Agreement and strictly on a “need to know” basis only. The Parties shall also cause their respective directors, employees, officers and any other Persons to whom the above mentioned information is disclosed to be bound by confidentiality obligations similar to those provided in this Clause.

14.1.4. Notwithstanding anything contained in Clauses 14.1.1, 14.1.2 and 14.1.3, a Receiving Party's obligation of confidentiality shall not extend to any Confidential Information:

- (i) to the extent that the Confidential Information received is in the public domain other than by breach of this Agreement;
- (ii) to the extent that the Confidential Information is lawfully acquired by the Receiving Party from a Third Party who owes the Disclosing Party no obligation of confidence in respect of such Confidential Information;
- (iii) to the extent that the Confidential Information was previously known or already in the lawful possession of the Receiving Party prior to receipt from the Disclosing Party;

- (iv) to the extent that the Confidential Information received is required to be disclosed by any Applicable Law or by any Governmental Authority to whose jurisdiction the Receiving Party is subject or with whose instructions it is customary to comply under notice to the Disclosing Party provided that in the event of such disclosure being mandated, the Receiving Party shall, if legally permissible, provide prior written notice to the Disclosing Party and shall take all reasonable actions to limit the extent of such disclosure;
- (v) in so far as it is disclosed to the employees, directors or professional advisers of the Receiving Party, provided that the Receiving Party shall procure that such persons treat the Confidential Information received as confidential; or
- (vi) to the extent that information, materially similar to the Confidential Information received, has been independently developed by the Receiving Party without reference to any Confidential Information furnished by the Disclosing Party.

14.1.5. The provisions of this Clause 14 shall survive the termination of this Agreement.

## 15. EVENT OF DEFAULT

15.1. An event of default (the “**Event of Default**”) on the part of a Shareholder shall occur if:

- 15.1.1. such Shareholder is in material breach of any terms and conditions contained in this Agreement; or
- 15.1.2. such Shareholder is subject to an Insolvency Event.

15.2. Within a period of 30 (thirty) days from the occurrence of an Event of Default, the non-defaulting Party (“**Non-Defaulting Party**”) shall have the right (but not the obligation) to give a notice in writing (the “**Default Notice**”) to the defaulting Party (the “**Defaulting Party**”), with a copy to the JVCo specifying the Event of Default in reasonable detail and calling upon the Defaulting Party to cure the Event of Default (if it is capable of being cured); provided, however, that, any delay in giving such notice shall not affect the right of the Non-Defaulting Party hereunder. The Defaulting Party shall have a period of 30 (thirty) days from the date of issue of the Default Notice to cure the Event of Default (if curable) (the “**Cure Period**”) to the satisfaction of the Non-Defaulting Party.

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15.3. In case of an Event of Default occurring prior to Initial Closing, if such Event of Default has not been cured (if capable of being cured) by the Defaulting Party within the Cure Period to the satisfaction of the Non-Defaulting Party or is not capable of being cured, then notwithstanding anything contained in this Agreement, the Non-Defaulting Party shall have the right to terminate this Agreement immediately upon provision of written notice of the same to the Defaulting Party and JVCo and in that event, none of the Parties shall have any rights, obligations or claims against the others, except for those provisions which expressly survive termination of this Agreement.

## 16. TERM AND TERMINATION

### 16.1. Term

This Agreement shall come into force on the Execution Date and shall be valid and binding unless terminated in accordance with the provisions of the Agreement (“**Term**”).

### 16.2. Expiry and Termination

- 16.2.1. Ester and Loop may agree to terminate this Agreement based on mutual discussions;

16.2.2. This Agreement shall terminate automatically upon the Securities being admitted to trading on a Recognized Stock Exchange in connection with an IPO;

16.2.3. This Agreement shall terminate with respect to any Shareholder when such Shareholder ceases to hold any Securities in the JVCo.

16.2.4. Without prejudice to the above, either of Ester and Loop may terminate this Agreement in accordance with Clause 3.3 and/or Clause 15.3 above.

16.3. Notwithstanding anything contained in Clause 16.2 herein above, the Parties shall be entitled to all the rights and remedies which are available under Applicable Law, equity or otherwise, including such other rights and remedies as may be mutually agreed between the Parties in this Agreement. The rights specified in this Clause 16 shall be in addition to and not in substitution for any other remedies, including a claim for damages that may be available to the Parties under this Agreement and the Applicable Law.

#### 16.4. Consequences of Termination

16.4.1 The rights and obligations of the Parties under this Agreement, which either expressly or by their nature survive the termination of this Agreement, shall not be extinguished by termination of this Agreement. Without prejudice to the generality of the foregoing, Clause 1 (*Definitions and Interpretation*), Clause 12 (*Representations and Warranties*), Clause 13 (*Indemnification*), Clause 14 (*Confidentiality*), this Clause 16.4, Clause 17 (*Arbitration*), and Clause 18 (*Miscellaneous*) shall survive the termination of this Agreement.

16.4.2 The termination of this Agreement in any of the circumstances aforesaid shall not in any way affect or prejudice any right accrued to any Party against the other Parties, prior to such termination under this Agreement and or Ancillary Agreements.

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### **17. ARBITRATION**

17.1. In the event any dispute or difference arises out of or in connection with the interpretation or implementation of this Agreement, or out of or in connection with the breach, or alleged breach of this Agreement(hereinafter referred to as the “**Dispute**”), between Loop and Ester, then the disputing Parties shall meet and attempt to resolve the Dispute through friendly consultations. If the Dispute is not resolved through friendly consultations within 60 (sixty) days after a Party first informs the other Party in writing of the existence of the Dispute, then the disputing Party shall refer the Dispute for resolution by arbitration. Such arbitration shall be conducted in accordance with the Arbitration Rules of Singapore International Arbitration Centre (“**SIAC**”) for the time being in force(“**SIAC Rules**”). Such SIAC Rules shall be deemed to be incorporated by reference in this Clause 17. The juridical seat and venue of the arbitration shall be Singapore.

#### 17.2. Appointment of Arbitrators

The arbitration shall be conducted by a panel of 3 (three) arbitrators, and shall be appointed in accordance with the SIAC Rules.

#### 17.3. Language of Arbitration

The language of the arbitration shall be English. The arbitrators shall be fluent in English.

#### 17.4. Award; Apportionment of Costs

The award rendered shall be in writing and shall set out the reasons for the arbitrator's or arbitral tribunal's decision. The award shall allocate or apportion the costs of the arbitration as the arbitrator, or the arbitral tribunal deems fair.

#### **17.5. Award Final and Binding**

The Parties agree that the arbitration award shall be final and binding on the Parties. The Parties agree that no Party shall have any right to commence or maintain any suit or legal proceedings (other than for interim or conservatory measures) until the Dispute has been determined in accordance with the arbitration procedure provided herein and then only for enforcement of the award rendered in the arbitration. Judgment upon the arbitration award may be rendered in any court of competent jurisdiction or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

#### **17.6. Right to Damages**

The Parties expressly waive and forego any right to indirect, consequential, punitive, exemplary, or special damages in connection with any Dispute and no such damages shall be awarded or provided for in any Dispute resolution proceeding under or in aid of this Clause 17.

### **18. MISCELLANEOUS**

#### **18.1. Governing Law; Jurisdiction**

The Agreement shall be governed and interpreted by and construed in accordance with the laws of India, and all disputes arising out of this Agreement and the Ancillary Agreements shall be dealt with in accordance with Clause 17 above.

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#### **18.2. Severability**

If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or Applicable Law, such provision or part shall to that extent be deemed not to form part of this Agreement, and the legality and enforceability of the remainder of this Agreement shall not be affected.

#### **18.3. Costs and Expenses**

Each Party shall bear its respective costs and expenses for professional, legal, financial and technical advisers, in connection with the execution and performance of this Agreement. Stamp duty payable on this Agreement shall be equally borne and paid by the Parties.

Notwithstanding the foregoing, any costs (except with respect to legal fees associated with the negotiation of the Agreement and the Ancillary Agreements) incurred by Loop or Ester, as the case may be, in relation to the Project, in relation to the incorporation of the JVCo prior to the Initial Closing Date, or in relation to the satisfaction of the conditions set forth in Clause 3.1 of this Agreement (except costs of conditions precedent that by their nature are required to be performed solely by either Ester or Loop and have no bearing on the JVCo, its operations or incorporation process whatsoever) shall be reimbursed by the JVCo to Ester or Loop, as the case may be, within 30 (thirty) days of the Initial Closing Date; provided further that in case the Initial Closing does not occur by the Outside Date for any reason whatsoever and the Agreement is terminated pursuant to Clause 3.3, all such costs shall be borne equally by Ester and Loop, and half of such cost incurred by Ester or Loop, as the case may be, shall be reimbursed to the other Party within 30 (thirty) days of the notice in this regard issued by such cost incurring Party.

#### 18.4. Further Assurance

Each Party shall co-operate with the other Party and commit to make decisions promptly, particularly with respect to the Reserved Matters, and execute and deliver to the other Party such instruments and documents and take such other actions as may be reasonably requested from time to time in order to carry out, evidence and confirm their rights and the intended purpose of this Agreement.

#### 18.5. Legal and Prior Rights

Subject to Clause 13.9 above, all rights and remedies of the Parties hereto shall be in addition to all other legal rights and remedies belonging to such Parties under Applicable Law and the same shall be deemed to be cumulative and not alternative to such legal rights and remedies aforesaid and it is hereby expressly agreed and declared by and between the Parties hereto, that the determination of this Agreement for any cause, whatsoever, shall be without prejudice to any and all rights and Claims of any Party hereto, which shall or may have accrued prior thereto.

#### 18.6. Waiver

The waiver of any default or breach under this Agreement by any Party shall not constitute a waiver of the right to terminate this Agreement by such Party or otherwise exercise rights or remedies for any subsequent default of a similar nature or under any other terms and conditions of this Agreement.

#### 18.7. Amendments

No modification, alteration or amendment of this Agreement or any of its terms or provisions shall be valid or legally binding on the Parties unless made in writing and duly executed by or on behalf of all the Parties.

#### 18.8. No Agency; No Constraint on Competition; No Partnership

Except as otherwise set forth in this Agreement, the Parties are independent contracting parties and will have no power or authority to assume or create any obligation or responsibility on behalf of each other.

#### 18.9. Notices

All notices, requests, demands or other communication ("Notices") required or permitted to be given under this Agreement and the provisions contained herein shall be written in English and shall be deemed to be duly sent by registered post, postage prepaid or transmitted by email transmission or courier to the other Parties at the address indicated below:

**18.9.1. In the case of notices to Ester, to:**

Attention: [\*\*\*] and cc to Company Secretary

Address: Plot No.-11-A, Infocity-1, Sector 33-34, Gurgaon-122001, Haryana, India

E-mail: [\*\*\*]

With cc to [\*\*\*]

**18.9.2. In the case of notices to Loop, to:**

Loop Industries, Inc.

480 rue Fernand-Poitras

Terrebonne, Quebec J6Y 1Y4, Canada

E-mail: [\*\*\*]

Attention: [\*\*\*]

With a copy to (which does not constitute notice to Loop):

Norton Rose Fulbright Canada LLP

1 Place Ville Marie, Suite 2500

Montreal (Quebec) H3B 1R1, Canada

Email: [\*\*\*]

Attention: [\*\*\*]

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**18.9.3. In the case of notices to JVCo, to such address and e-mail ID as may be provided in the Deed of Adherence;**

or at such other address as the Party to whom such notices, requests, demands or other communication is to be given shall have last notified the Party giving the same in the manner provided in this Clause, but no such change of address shall be deemed to have been given until it is actually received by the Party sought to be charged with the knowledge of its contents. Any notice, request, demand or other communication delivered to the Party to whom it is addressed as provided in this Clause 18.9 shall be deemed (unless there is evidence that it has been received earlier) to have been given and received, if:

- (i) sent by mail, except air mail, 10 (ten) Business Days after posting it;
- (ii) sent by air mail or courier, 6 (six) Business Days after posting it; and
- (iii) sent by email, when confirmation of its transmission has been recorded by the sender's e-mail account.

**18.10. Entire Agreement**

This Agreement read with the respective Ancillary Agreement constitutes and represents the entire agreement between the Parties with regard to the rights and obligations of each of the Parties and cancels and supersedes all prior arrangements, agreements or understandings, if any, whether oral or in writing, between the Parties on the subject matter hereof or in respect of matters dealt with herein.

**18.11. Third Party Benefit**

Nothing herein expressed or implied is intended, nor shall it be construed to confer upon or give to any Third Party any right, remedy or Claim under or by reason of this Agreement or any part hereof.

#### **18.12. Successors and Assigns**

The provisions of this Agreement shall inure to the benefit of and be binding on the Parties and permitted assignees.

#### **18.13. Assignment**

Except as otherwise agreed between the Parties, this Agreement shall inure to the benefit of and be binding upon the Parties and their successors-in-interest. Save as otherwise provided in this Agreement, no Party may assign and transfer any of its rights under this Agreement, in whole or in part, without the written consent of the other Parties.

#### **18.14. Specific Performance of Obligations**

The Parties to this Agreement agree that, to the extent permitted by Applicable Law, the rights and obligations of the Parties under this Agreement shall be subject to the right of specific performance and may be specifically enforced against a defaulting Party.

#### **18.15. Independence of the Parties with respect of each other**

Each Party is and shall remain an independent Party. None of the Party or any of its Affiliates shall be considered an agent of the other, nor shall it have authority to enter into any contract or any obligation for or make any warranty or representation on behalf of the other.

#### **18.16. Counterparts**

This Agreement may be executed by the Parties in separate counterparts each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

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#### **18.17. Fall Away of Right**

**18.17.1. Notwithstanding Clause 8 (Corporate Governance of the JVCo) and Clause 9.5 (Reserved Matters), but subject to Clause 4.8.4 and 4.8.5 above, in the event the aggregate shareholding of either Ester (along with its Affiliates) or Loop (along with their Affiliates) (as the case maybe) falls below 50% (fifty percent) of the issued and paid-up equity share capital of the JVCo calculated on a fully diluted basis ("Below 50% Shareholder"), then:**

- (i) the Board and any committee of the Board shall be reconstituted such that the number of Directors on the Board or the committee of the Board (as the case may be) are proportionate to the shareholding of Ester and Loop, along with their respective Affiliates, in the JVCo, whereby the Shareholder which is not the Below 50% Shareholder shall have the majority on the Board; and
- (ii) the Below 50% Shareholder shall forthwith cease to have the rights provided for under Clause 8.6 (Appointment of Chairman).

**[This space has been intentionally left blank]**

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**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be duly executed by their duly authorized representatives at the place and on the date, month and year first hereinabove written:

**SIGNED AND DELIVERED:**

For and on behalf of **ESTER INDUSTRIES  
LIMITED:**

By:

/s/Arvind Singhania

Name: Arvind Singhania

Title: Chairman & CEO

**Witness:**

/s/Rahul Guscuami

Name: Rahul Guscuami

Address: [\*\*\*]

**SIGNED AND DELIVERED:**

For and on behalf of **LOOP INDUSTRIES INC.:**

**Witness:**

By:

/s/Daniel Solomita

Name: Daniel Solomita

Title: Chairman & CEO

/s/Adel Essaddam

Name: Adel Essaddam

Address: [\*\*\*]

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**EXHIBIT 31.1**

**SECTION 302 CERTIFICATION**

I, Daniel Solomita, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loop Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **January 16, 2024** July 15, 2024

*/s/ Daniel Solomita*

Daniel Solomita

President and Chief Executive Officer  
(principal executive officer)

**SECTION 302 CERTIFICATION**

I, Fady Mansour, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loop Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **January 16, 2024** **July 15, 2024**

*/s/ Fady Mansour*

Fady Mansour

Chief Financial Officer (principal financial officer and principal accounting officer)

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## EXHIBIT 32.1

### SECTION 906 CERTIFICATION

In connection with the accompanying Quarterly Report on Form 10-Q of Loop Industries, Inc. for the quarter ended November 30, 2023

In connection with the accompanying Quarterly Report on Form 10-Q of Loop Industries, Inc. for the quarter ended May 31, 2024, the undersigned, Daniel Solomita, President and Chief Executive Officer of Loop Industries, Inc., does hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) such Quarterly Report on Form 10-Q for the quarter ended **November 30, 2023** **May 31, 2024**, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the quarter ended **November 30, 2023** **May 31, 2024**, fairly presents, in all material respects, the financial condition and results of operations of Loop Industries, Inc.

Date: **January 16, 2024** **July 15, 2024**

*/s/ Daniel Solomita*

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Daniel Solomita

President and Chief Executive Officer (principal executive officer)

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## **EXHIBIT 32.2**

### **SECTION 906 CERTIFICATION**

In connection with the accompanying Quarterly Report on Form 10-Q of Loop Industries, Inc. for the quarter ended **November 30, 2023** **May 31, 2024**, the undersigned, Fady Mansour, Chief Financial Officer of Loop Industries, Inc., does hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) such Quarterly Report on Form 10-Q for the quarter ended **November 30, 2023** **May 31, 2024**, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the quarter ended **November 30, 2023** **May 31, 2024**, fairly presents, in all material respects, the financial condition and results of operations of Loop Industries, Inc.

Date: **January 16, 2024** **July 15, 2024**

*/s/ Fady Mansour*

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Fady Mansour

Chief Financial Officer (principal financial officer and principal accounting officer)

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