

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 Annual Report on Form 10-K for the fiscal year ended February 28, 2025, filed with the SEC on May 29, 2025, as amended by the Amendment No. 1 on Form 10-K/A filed with the SEC on May 30, 2025 (the "2025 Annual Report").

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of Loop Industries, Inc., a Nevada corporation (the "Company," "Loop Industries," "Loop," "we," or "our"), contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 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, and market and industry trends. 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) our ability to commercialize our technology and products, (ii) the status of our relationships with our 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) our ability to continue as a going concern, (vii) engineering, contracting, and building our manufacturing facilities, (viii) our ability to scale, manufacture, and sell our products and to license our technology in order to generate revenues, (ix) our proposed business model and our ability to execute it, (x) our ability to obtain the necessary approvals or satisfy any closing conditions in respect of any of our proposed partnerships, (xi) our joint venture projects and our ability to recover certain expenditures in connection to them, (xii) adverse effects on the Company's business and operations as a result of increased regulatory, media, or financial reporting scrutiny, practices, rumors, or otherwise, (xiii) public health issues, such as disease epidemics, which may lead to reduced access to capital markets, supply chain disruptions, and government-imposed business closures, (xiv) war, regional tensions, and economic or other conflicts including trade disputes and increasing protectionist measures that could impact market stability and our business; (xv) the effect of the continuing worldwide macroeconomic uncertainty and its impacts, including inflation, market volatility and fluctuations in foreign currency exchange and interest rates, (xvi) the outcome of any SEC investigations or class action litigation filed against us, (xvii) our ability to hire and/or retain qualified employees and consultants, (xviii) other events or circumstances over which we have little or no control, and (xix) other factors discussed in our subsequent filings with the 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. Except as required by law, 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, 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 thermoplastic polymer resin of the polyester family showing excellent tensile and impact strength, chemical resistance, clarity, and processability, and reasonable thermal stability. It is typically produced through the reaction of terephthalic acid or DMT and MEG. PET is the material which is most commonly used for the production of 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 the specific type of polyester most commonly used to produce polyester fiber for a variety of applications including textiles, clothing and apparel.

rPET, rDMT and rMEG are acronyms for recycled PET, DMT and MEG.

\$ refers to U.S. dollars unless otherwise indicated.

Introduction

Loop Industries is a technology company whose mission is to accelerate the world’s shift toward sustainable PET plastic and polyester fiber and away from our dependence on fossil fuels. Loop Industries owns patented and proprietary technology that depolymerizes no and low-value waste PET plastic and polyester fiber, including plastic bottles, packaging, and textiles such as carpets and clothing, into its base building block monomers, DMT and MEG. The monomers are separated, 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™ PET plastic and polyester fiber can be recycled infinitely without degradation of quality, helping to close the plastic loop. Loop Industries is committed to contributing to the global movement towards a circular economy by reducing plastic waste and recovering waste plastic for a sustainable future.

Loop plans to commercialize the Infinite Loop™ technology through a combination of direct investments with strategic partners to own and operate commercial facilities and the licensing of its technology.

As the initial phase of our plan for the commercialization of future Infinite Loop™ manufacturing facilities, we constructed and have successfully operated our Terrebonne, Québec depolymerization production facility (the “Terrebonne Facility”) for the past five years, demonstrating the effectiveness of our technology and supplying Loop PET resin and polyester fiber to customers. The facility is also used for research and development activities.

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Loop is currently executing on its commercialization strategy through two key strategic partnerships. The Company is advancing towards the construction of an Infinite Loop™ manufacturing facility in India through its 50/50 joint venture in India with Ester Industries Ltd. (“Ester”). The facility’s planned production capacity is 70,000 tons per year of Loop branded PET resin and polyester fiber. In addition, the Company sold its first technology license to Reed Management SAS, known as Reed Societe Generale Group, for one Infinite Loop™ manufacturing facility in Europe for an initial down payment of €10 million with additional milestone payments to be received by Loop as the project advances. Infinite Loop Europe, an entity to be owned 10% by Loop and 90% by Reed Societe Generale Group, was formed with the purpose of developing Infinite Loop™ manufacturing facilities in Europe. These initiatives represent key steps in implementing the Company's plan to deploy its proprietary depolymerization technology in global markets.

Background

Industry Background and Competitive Landscape

PET resin is primarily derived from fossil fuel-based monomers and is referred to as “virgin PET” when used for packaging and “virgin polyester” when used for fibers. PET is widely used in packaging, especially for beverage bottles and food containers, due to its excellent barrier properties, durability, and food safety profile. Virgin polyester fiber is also the dominant synthetic fiber in the textile industry, valued for its strength, durability, wrinkle resistance, and versatility in apparel, home furnishings, and industrial applications.

Despite growing regulatory and consumer pressure for sustainable alternatives, most of the PET and polyester fiber used globally today is still comprised of fossil fuel-based monomers. In many applications, virgin material is still preferred or required, either alone or blended with recycled content, in order to meet quality specifications. As a result, the global markets for both PET packaging and polyester fiber remain heavily dependent on fossil fuels, underscoring the need for scalable, cost-effective recycling technologies that can produce high-quality PET and polyester fiber from waste plastic.

Mechanical recycling is the most common method for recycling PET waste. This multi-step physical process transforms waste PET into reusable materials. The process begins with the collection of waste PET bottles and packaging through various systems, such as curbside programs and deposit returns. The waste is sorted at materials recovery facilities to separate PET from other plastics or materials, then compressed into bales.

The bales are broken down and the waste PET shredded into flakes after removal of contaminants like stones, sand, metals, labels, and bottle caps. These flakes undergo rigorous washing and cleaning stages, often using hot water and detergents, to remove dirt, adhesives, and residues. Separation techniques like flotation and air classification are then used to eliminate remaining impurities, and the flakes are dried. Next, the flakes may go through optical color sorting to produce rPET for higher value uses such as clear beverage bottles. The cleaned flakes are then melted at high temperatures, extruded, and cut into uniform pellets. For applications like food-grade packaging, the rPET pellets typically undergo further processing to ensure compliance with safety and quality standards for direct food contact.

We believe mechanically recycled PET faces significant challenges in meeting the quality specifications and increasing volume requirements driven by brand commitments and regulatory pressures. Impurities like labels, adhesives, and other types of plastic contained in the waste feedstock compromise the purity of the rPET. While sorting and cleaning technologies help, they are not always effective enough to produce consistently high-quality recycled material. Feedstock limitations also exist because certain PET products, such as colored or multi-layered packaging, are challenging to process mechanically while maintaining quality and consistency, leading to them being sent to landfill or incineration.

A key challenge in mechanical recycling is the degradation of PET’s physical properties with each recycling cycle. Processes like shredding, washing, and melting can break down polymer chains, reducing strength and clarity, often leading to “downcycling” where the rPET is limited to lower-value applications rather than being recycled back into bottles or food packaging. Due to the progressive degradation of material properties and the accumulation of impurities, PET can typically only be mechanically recycled a limited number of times before its quality is too poor for further processing or valuable applications. The quality of mechanically recycled PET can vary considerably and often require blending with virgin PET to meet performance standards. This inconsistency poses difficulties for manufacturers aiming to incorporate rPET into products, particularly for demanding applications like food packaging.

Mechanical recycling does not effectively handle polyester fiber waste. A substantial portion of polyester fiber waste consists of polyester blended with other fibers like cotton or spandex, which mechanical processes are largely ineffective at separating. Additionally, waste polyester fiber often contains dyes, finishes, and other chemicals that cannot be removed through mechanical recycling. Today, most recycled polyester on the market is produced from recycled PET bottles and packaging. A significant portion of PET bottles collected for recycling is diverted into polyester fiber production for textile applications, rather than being recycled back into new bottles.

We believe these inherent limitations of mechanical recycling further re-enforce the need for depolymerization technologies capable of processing a wider range of PET and polyester fiber waste while yielding high-quality material. Depolymerization is a process in which plastics are broken down into their base monomers through chemical reactions, rather than being physically melted down and reprocessed as in mechanical recycling.

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Among existing depolymerization technologies, we believe that Loop's process offers advantages in handling more contaminated feedstock and in its scalability, which differentiates it from other available methods. This belief is supported by available technical information and due diligence on Loop's technology carried out by multiple industry sources. To our knowledge, other existing depolymerization technologies often require high temperatures and pressures, resulting in substantial energy consumption and potential unwanted chemical reactions which can reduce the yield and purity of the recovered monomers.

Infinite Loop™ Technology

Our depolymerization technology breaks down waste PET and polyester fiber into its base monomers DMT and MEG. The monomers are purified and then recombined into virgin quality PET resin suitable for use in food-grade packaging and polyester fiber made from 100% recycled content. Our depolymerization operates at low temperature with no added pressure which enables a wider range of PET and polyester fiber to be recycled. Our technology can recycle a wide range of waste PET plastic bottles and packaging of any color, transparency or condition, as well as polyester textiles such as carpet and clothing that contain dyes, additives, or other textiles blended into the fabrics. We believe that our ability to use contaminated feedstocks that other recycling methods cannot process is an important advantage of our technology.

Loop's depolymerization technology has the potential to create a closed-loop system for PET plastic and polyester fiber waste, whereby they can be recycled an infinite number of times without degrading the quality of the material, unlike mechanical recycling. This is because the DMT and MEG monomers are purified back to their original state prior to being repolymerized.

The Infinite Loop™ Technology is also designed to provide a solution for recycling polyester textile waste, regardless of color or contamination, into 100% recycled virgin-quality polyester. Loop branded polyester fiber can be seamlessly integrated into existing supply chains and manufacturing processes. This closed-loop approach aims to offer a sustainable alternative for the textile industry, addressing the growing issue of textile waste while maintaining high quality and performance.

Loop has been operating its Terrebonne Facility for the past five years producing DMT and MEG. The facility has been achieving consistent monomer recovery, demonstrating the effectiveness of our technology and supplying customers with virgin quality PET resin for packaging and polyester fiber for textiles.

Agreements with Reed Societe Generale Group

On December 12, 2024, the Company entered into an Amended and Restated Share Purchase Agreement (the "Amended Agreement") with Reed Societe Generale Group, a European investment firm focused on high impact and technology-enabled infrastructure majority-owned by the bank Societe Generale. The Amended Agreement amends the original Share Purchase Agreement dated May 30, 2024 previously reported by the Company in a current report on Form 8-K filed on June 4, 2024. A joint entity, which under French Law is referred to as a simplified joint-stock company, was incorporated ("Infinite Loop Europe"), to be owned 90% by Reed Societe Generale Group and 10% by Loop, with the purpose of developing Infinite Loop™ manufacturing facilities in Europe. Pursuant to the Amended Agreement, the Company will enter into a Securityholders Agreement with Reed Circular Economy ("RCE"), an affiliate of Reed Societe Generale Group, to establish the framework for the governance, ownership, and operations of Infinite Loop Europe.

On December 23, 2024, the Company received total cash proceeds of \$20.8 million (€20.0 million) upon closing of the financing and licensing transactions contemplated by the Amended Agreement. The Company entered into a license agreement with RCE, acting on behalf of Infinite Loop Europe, granting a license to use Loop's proprietary depolymerization technology for one facility within Europe. Pursuant to the terms of the license agreement, the Company received an initial upfront royalty payment of \$10.4 million (€10.0 million), with additional milestone-based payments from Reed Societe Generale Group to follow. Additionally, the Company issued and sold 1,044,430 shares of Series B Convertible Preferred Stock ("Series B CPS") at \$10.00 per share to RCE for cash proceeds of \$10.4 million (€10.0 million).

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Key terms of the Series B CPS include:

- 13% PIK dividend rate
- 5-year term
- Convertible to Loop common stock at \$4.75 per share or redeemable in cash

We believe the licensing and financing transactions mark a pivotal step in Loop's commercialization strategy, enabling the deployment of its patented recycling technology across Europe and supporting capital investment in cost-effective manufacturing regions, including its joint venture in India with strategic partner Ester. Proceeds from these transactions are being used to fund the India JV project and Loop's operational cash flow needs.

We further believe the sale of our first license underscores the commercial readiness of Loop's technology, which has been validated by five years of operations at its Terrebonne facility.

Under the agreed terms of the partnership with Reed Societe Generale Group, Loop retains the right to increase its equity stake in the European manufacturing facility, as well as potential future facilities, to a maximum of 50% for each facility. As the license is to build one Infinite Loop™ manufacturing facility in Europe, future facilities under this partnership would require the purchase of additional technology licenses from Loop.

Loop and Reed Societe Generale Group are actively assessing opportunities for the first Infinite Loop™ facility in Europe. Current activities include evaluating potential project locations, engaging with local and national governments to assess the availability of subsidies and incentives, and identifying potential strategic partners to support the execution of the project. In parallel, Loop is in the process of implementing a modular construction strategy, including the development of a standardized facility design and pre-fabrication approach aimed at reducing construction costs and timelines, with the objective of improving scalability for future projects across Europe and other regions with high construction costs.

[Joint Venture with Ester](#)

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 India JV is to build and operate an Infinite Loop™ manufacturing facility in India which will produce 100% recycled Loop™ PET resin, using the Infinite Loop™ Technology, in order to meet growing demand from leading global brands in different sectors, including strong demand for textile-to-textile polyester fiber to enable circular fashion for apparel brands, a trend we have observed and anticipate to continue.

Loop and Ester have a well-established working relationship, with Ester producing Loop™ PET using monomers produced at Loop's Terrebonne Facility for global brand companies over the last five years. The India JV intends to leverage the complementary skill sets of each partner by combining Loop's innovative technology and global customer relationships with Ester's nearly 40 years of specialized polymer production, operational proficiency, and local expertise, including sourcing of PET plastic and polyester fiber waste feedstocks. The India facility will leverage the Infinite Loop™ Technology and existing engineering package which should accelerate the lead-time towards groundbreaking.

The planned production capacity of the Infinite Loop™ India facility is 70,000 tons per year of Loop branded PET resin and polyester fiber.

We believe the India JV offers attractive projected economic returns without the need for substantial sustainability-linked premium pricing. Loop and Ester made the decision to incorporate a continuous polymerization line at the Infinite Loop™ India facility. By integrating polymerization assets within the Infinite Loop™ India facility, we expect improved efficiency and lower operating costs with a minimal impact on overall project cost.

Loop and Ester anticipate that the total funding required for the India JV for the purposes of construction, development and operationalization of the project, including the initial working capital requirements, will be financed by a combination of debt and equity capital. Ester and Loop are each contributing 50% of the equity capital of the India JV. As of May 31, 2025, Loop and Ester had each made total equity contributions of \$1.9 million in cash to the India JV. The funds injected in the India JV are being used for preliminary project costs, which are mainly engineering fees.

Subject to the terms of the 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 are working in collaboration on all financing activities for the India JV pursuant to the terms of the agreement.

The India JV 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 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 Infinite Loop™ Technology in India at a royalty rate set forth in the Loop Technology License Agreement.

Loop has entered into an engineering services agreement with the India JV to provide engineering services and support the local engineering firm. This has resulted in Loop generating engineering services revenue of \$0.2 million in the quarter ended May 31, 2025.

The development of the Infinite Loop™ India facility continues to progress towards groundbreaking. Following the completion of a detailed land study by an external engineering firm, the India JV partners have identified the Gujarat province of India as the optimal location for the facility based on several key requirements such as infrastructure, proximity to a seaport for exports, renewable energy for a reduction in CO2 emissions and proximity to waste PET and polyester feedstocks. Additionally, feedstock sourcing for the facility, of which there is abundant supply from textile waste in India, is well advanced. Furthermore, ELITe has engaged a leading global advisory firm which has been retained to manage the debt syndication process to finance the construction of the Infinite Loop™ India facility.

Based on an engineering study completed by a globally renowned engineering firm in May 2025, the estimated total investment cost for the facility, including continuous polymerization, financing costs during construction and initial working capital requirements, is expected to be approximately \$176 million. Groundbreaking for the Infinite Loop™ India facility is now expected to occur in the second half of calendar 2025, with commercial operations projected to commence in calendar 2027.

Commercialization Strategy

Our commercialization strategy to achieve global expansion of the Infinite Loop™ Technology is founded on a combination of direct investments with strategic partners to own and operate commercial facilities and the licensing of our technology.

The global expansion plan for our technology will allow our target customers, mostly comprised of apparel companies and CPG companies, to integrate Loop™ PET resin and polyester fiber into their products and packaging. As countries around the globe continue to impose sustainability targets and recycled content mandates, we observe that companies are increasingly seeking to incorporate sustainably produced materials into their products. Our market strategy is to assist global consumer goods and apparel companies in meeting these requirements as well as their own stated sustainability commitments by offering co-branded packaging or polyester fibers that are made with Loop 100% recycled, virgin-quality PET. 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.

The Infinite Loop™ Technology is the key pillar of our commercialization strategy. We believe our technology is well positioned to respond to 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 polyester that would otherwise typically be destined for landfill or incineration, rather than relying on fossil-based resources.

We have completed our process design package for the Infinite Loop™ full-scale manufacturing facilities to be used as the base engineering platform for all future facilities. 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 tons of rDMT and 23,000 tons of rMEG, or 70,000 tons of Loop PET and polyester fiber output per year, subject to applicable site-specific permitting, site and regulatory considerations.

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We are focused on direct investments in Infinite Loop™ commercial facilities located in low-cost manufacturing regions. By strategically selecting cost-efficient locations, we aim to optimize production costs and improve overall financial performance, while limiting our capital contributions.

This direct investment approach also includes leveraging partnerships to integrate Loop's proprietary technology and sales and marketing expertise with the operational and construction capabilities of experienced partners. We believe this combination of complementary skill sets allows for more efficient project execution, accelerated market adoption, and scalable growth.

We expect that revenue generation from direct investments in commercial facilities will be driven by two key streams: (i) profits from the operation of commercial facilities, and (ii) royalties paid to Loop for licensing its technology and exclusive responsibility of sales and marketing. We believe these income sources will support long-term financial sustainability and growth.

This approach is currently being deployed through the Company's 50/50 joint venture in India with Ester, which is advancing towards the construction of an Infinite Loop™ manufacturing facility. The facility's planned production capacity is 70,000 tons per year of Loop branded PET resin and polyester fiber. The India JV intends to leverage the complementary skill sets of each partner by combining Loop's innovative technology and global customer relationships with Ester's nearly 40 years of specialized polymer production, operational proficiency, and local expertise, including sourcing of PET plastic and polyester fiber waste feedstocks. Loop will grant a royalty-bearing license to the India JV and will be the exclusive seller and marketing agent of the India JV's products.

We also aim to accelerate the roll-out of the Infinite Loop™ technology through the sale of technology licenses for commercial facilities in which Loop may take limited or no ownership. We expect licensee-owned facilities to allow us to scale our technology efficiently, without requiring significant capital investment from Loop. Revenue generation through technology licensing is expected to come from a combination of up-front and recurring royalties.

This approach focused on licensing is currently being deployed in our European partnership with Reed Societe Generale Group. The Company sold its first technology license to Reed Societe Generale Group for one Infinite Loop™ manufacturing facility in Europe for an initial down payment of €10.0 million with additional milestone payments to be received by Loop as the project advances. Infinite Loop Europe was formed with the purpose of developing Infinite Loop™ manufacturing facilities in Europe to be owned 10% by Loop and 90% by Reed Societe Generale Group.

Additionally, we aim to generate income by providing engineering services throughout all phases of project development, construction, and startup for all Infinite Loop™ commercial facilities, supporting efficient project execution and creating a steady revenue stream prior to the startup of the facility.

Loop has entered into an engineering services agreement with the India JV to provide engineering services and support the completion of the engineering for the planned Infinite Loop™ manufacturing facility in India. This has resulted in Loop generating engineering services revenue of \$0.2 million in the quarter ended May 31, 2025.

We are also in the process of implementing a modular construction strategy, in order to reduce overall capital expenditures and operating expenses, while improving project timelines and ensuring standardized design and quality, and providing a scalable solution for global expansion. This strategy envisages that we would manufacture plant modules in a low-cost country to be transported and assembled on site at global locations, and would potentially provide an additional income stream alongside returns from owned facilities and royalties.

The Company's ability to move to the next stage of its strategic development, including the construction of manufacturing plants and the commercialization of its technology and products at scale, is dependent on, among other factors, its ability to obtain the necessary financing through a combination of the issuance of equity, project debt, and/or government incentive programs.

Recent Development – ATM Offering

On July 3, 2025, we entered into an At the Market Offering Agreement (the "Sales Agreement") with Roth Capital Partners, LLC ("Sales Agent"), under which we may offer and sell shares of our common stock having an aggregate offering price of up to \$15 million from time to time through or to the Sales Agent, acting as our sales agent or principal (the "ATM"). We are not obligated to make any sales of shares under the Sales Agreement and we may not sell any shares under the Sales Agreement, or if we do, as to the price or amount of shares that we will sell, or the date on which any such sales will take place.

Human Capital

As of May 31, 2025, we had 44 employees of which 18 work in research and development, 17 in engineering and operations, and 9 in administrative functions.

Results of Operations

All monetary amounts are in thousands of U.S. dollars unless otherwise specified.

The following table summarizes our operating results for the three-month periods ended May 31, 2025 and 2024, in thousands of U.S. Dollars.

	Three months ended May 31,		
	2025	2024	Change favorable / (unfavorable)
Revenues	\$ 252	\$ 6	\$ 246
Expenses			
Research and development			
Employee compensation	702	1,015	313
Stock-based compensation	312	129	(183)
External engineering	5	628	623
Plant and laboratory operating expenses	231	270	39
Other	124	195	71
Total research and development	1,374	2,237	863
General and administrative			
Employee compensation	569	635	66
Stock-based compensation	63	241	178
Professional fees	361	1,255	894
Insurance	453	492	39
Other	203	288	85
Total general and administrative	1,649	2,911	1,262
Loss on equity accounted investment	302	-	(302)
Depreciation and amortization	100	137	37
Interest and other financial expenses (income)	419	60	(359)
Interest income	(100)	(126)	(26)
Foreign exchange gain	(45)	(24)	21
Total expenses	3,699	5,195	1,496
Net loss	\$ (3,447)	\$ (5,189)	\$ 1,742

First Quarter Ended May 31, 2025

Revenues

Revenues for the three-month period ended May 31, 2025 increased \$246 to \$252, as compared to \$6 for the same period in 2024. The revenues for the three-month period ended May 31, 2025 resulted from \$244 in engineering fees and \$8 from sales of Loop™ PET resin produced using monomers manufactured at the Terrebonne Facility. The revenues of \$6 for the three-month period ended May 31, 2024 resulted from sales of Loop™ PET resin.

Research and Development

Research and development expense for the three-month period ended May 31, 2025 decreased \$863 to \$1,374, as compared to \$2,237 for the same period in 2024. The decrease was primarily attributable to a \$623 decrease in external engineering expenses for design work for our Infinite Loop™ manufacturing process, and a \$313 decrease in employee compensation expenses, partially offset by a \$183 increase in stock-based compensation expenses.

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General and administrative expenses

General and administrative expenses for the three-month period ended May 31, 2025 decreased \$1,262 to \$1,649, as compared to \$2,911 for the same period in 2024. The decrease was primarily attributable to a \$894 decrease in professional fees, which was mainly attributable to legal costs related to our partnerships with Reed Societe Generale Group and Ester incurred in the three-month period ended May 31, 2024, a \$178 decrease in stock-based compensation expense mainly due to \$(268) of forfeitures recorded in the three-month period ended May 31, 2025, and a decrease of \$66 in employee compensation expenses.

Loss on equity accounted investment

Loss on equity accounted investment increased by \$302 for the three-month period ended May 31, 2025. This loss relates to the Company's 50% portion of the loss incurred by the India JV for the three-month period ended May 31, 2025, during which the India JV incurred preliminary project costs for the planned Infinite Loop™ facility in India, which are mainly engineering fees.

Interest and other financial expenses

Interest and other financial expenses increased by \$359 for the three-month period ended May 31, 2025. This increase is mainly attributable to the accrued PIK dividend on the Series B Convertible Preferred Stock issued to RCE recorded as an interest expense for \$340 in the three-month period ended May 31, 2025 (2024 – nil).

Net Loss

The net loss for the three-month period ended May 31, 2025 decreased \$1,742 to \$3,447, as compared to \$5,189 for the same period in 2024. This decrease was primarily due to the decrease of \$1,262 in general and administrative expenses and the decrease of \$863 in research and development expenses, which were partially offset by the \$359 increase in interest and other financial expenses and the increase of \$302 in loss on equity accounted investment.

LIQUIDITY AND CAPITAL RESOURCES

All monetary amounts are in thousands of U.S. dollars unless otherwise specified.

Since its inception, the Company has been in the pre-commercialization stage with its ongoing operations and commercialization plans financed primarily by raising equity. 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 advance its commercialization efforts. As at May 31, 2025, the Company had cash and cash equivalents of \$9,748. 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 2025 Annual Report.

Management continuously monitors the Company's cash resources against its short-term cash commitments to ensure there is sufficient liquidity to fund its costs for at least twelve months from the financial statements issuance date. It evaluates the Company's liquidity to determine if there is substantial doubt about its ability to continue as a going concern. In preparing this liquidity 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) 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. Based on this assessment, management believes that current available liquidity will be sufficient to meet the Company's obligations, commitments and budgeted expenditures for at least twelve months from the issuance date of the unaudited interim condensed consolidated financial statements.

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The Company's ability to move to the next stage of its strategic development and construct manufacturing facilities is dependent on, among other factors, whether the Company can obtain the necessary financing through a combination of further technology licensing arrangements, government incentive programs, and/or the issuance of debt and/or equity. In particular, the Company will require capital sufficient to fund its equity contributions to the India JV for the construction of the planned Infinite Loop™ facility in India, as well as its ongoing cash requirements. The Company's financing requirements may potentially be reduced depending on the timing of anticipated revenues from engineering services for the European partnership with Reed Societe Generale Group.

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.

Sale and issuance of Series B CPS

On December 23, 2024 (the "Issuance Date"), the Company issued and sold 1,044,430 shares of Series B CPS at \$10.00 per share to Reed Circular Economy (the "Holder"), an affiliate of Reed Societe Generale Group, for cash proceeds of \$10,395 (€10,000). The main features of the Series B CPS are as follows:

- Automatic conversion of the stated value (\$10,395 on the Issuance Date) on the fifth anniversary of the Issuance Date into shares of the Company's common stock at a conversion price of \$4.75 per share;
- Accrues a cumulative fixed annual PIK dividend at a rate of 13% of the stated value, which is added to the stated value of the Series B CPS on September 30 of each year;
- Redeemable in cash at any time, starting after the third anniversary of the Issuance Date by the Company (issuer call option);
- Redeemable in cash on the fifth anniversary of the Issuance Date at the option of the Holder (put feature); and
- Voting rights equal to the number of whole shares of the Company's common stock (rounded to the nearest whole share) into which the stated value of Series B CPS would be convertible on a given date; and separate class voting rights on certain matters such as amendments to the Certificate of Designation or Articles of Incorporation that adversely affect the rights of the Series B CPS, as long as at least 50,000 shares of Series B CPS are outstanding.

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Certificate of Designation, which was filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on December 26, 2025.

Investissement Québec financing facility

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 \$3,344. We received the first disbursement in the amount of \$1,606 on February 21, 2020 and the second disbursement in the amount of \$1,738 on August 26, 2021. The loan can be repaid at any time by us without penalty. The loan's interest rate was initially set at 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 \$36 of the principal amount was repayable in monthly installments in the fiscal year ended February 29, 2024, with the remainder of the principal amount being repayable in 72 monthly installments.

On February 28, 2024, the Company and Investissement Québec entered into an agreement to amend the existing Financing Facility which modifies the repayments of the principal amount (the "Second Financing Facility Amendment"). As per the Second Financing Facility Amendment, a total of \$73 of the principal amount was repayable in monthly installments in the fiscal year ended 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%.

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On February 5, 2025, the Company and Investissement Québec entered into an agreement to amend the existing Financing Facility which modifies the repayments of the principal amount (the “Third Financing Facility Amendment”). As per the Third Financing Facility Amendment, total annual principal repayments in monthly installments are of \$301 for the fiscal year ending February 28, 2026 and \$519 for the fiscal year ending February 28, 2027, with the remainder of the principal amount being repayable in 36 monthly installments. Pursuant to the Third Financing Facility Amendment the interest rate of the Financing Facility was increased from 3.36% to 4.36%.

Under the original terms of the Financing Facility, the principal amount was repayable in 84 monthly installments beginning in March of 2023. The amendments do not modify the repayment terms of accrued interest or any of the other terms of the Financing Facility that are not mentioned above. The amendments did not meet the criteria of ASC 470, *Debt* for an extinguishment of debt as the amendments did not substantially modify the terms of the Financing Facility. The Company therefore applied modification accounting and no immediate gain or loss was recognized related to the amendments.

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 \$2,544 in aggregate principal amount. 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 not in compliance as at May 31, 2025. All borrowings under the Credit Facility will bear interest at an annual rate equal to the bank’s Canadian prime rate plus 1.0%. As at May 31, 2025, the \$2,544 Credit Facility was available and undrawn.

On July 4, 2025, the Company and the Canadian Bank executed an amendment to the Credit Facility, modifying the minimum equity covenant to include the balance of Series B Convertible Preferred Stock as at February 28, 2025 of \$10,647 in the calculation of stockholders’ equity. The Company was in compliance with the minimum equity covenant following this amendment.

Flow of Funds

All monetary amounts are in thousands of U.S. dollars unless otherwise specified.

Summary of Cash Flows

A summary of cash flows for the three months ended May 31, 2025 and 2024 was as follows, in thousands of U.S. Dollars:

	Three Months Ended May	
	31,	
	2025	2024
Net cash used in operating activities	\$ (3,082)	\$ (3,915)
Net cash used in investing activities	(115)	(176)
Net cash provided by (used in) financing activities	(55)	2,492
Effect of exchange rate changes on cash	27	(68)
Net decrease in cash	\$ (3,225)	\$ (1,667)

Net Cash Used in Operating Activities

During the three-month period ended May 31, 2025, we used \$3,082 in operations compared to \$3,915 during the three-month period ended May 31, 2024. 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, and lower legal costs related to forming our partnerships with Reed Societe Generale Group and Ester.

Net Cash Used in Investing Activities

During the three months ended May 31, 2025, we used \$115 in investing activities compared to \$176 during the three-month period ended May 31, 2024. During the three months ended May 31, 2025, we made investments in intangible assets of \$115, particularly to file patents for the Infinite Loop™ technology in the United States and around the world. During the three months ended May 31, 2024, we made investments in intangible assets of \$176.

Net Cash Provided by (Used in) Financing Activities

During the three months ended May 31, 2025, we repaid \$55 of long-term debt. During the three months ended May 31, 2024, we borrowed \$2,517 under the Credit Facility and we repaid \$25 of long-term debt.

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 Interim 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 Interim Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of May 31, 2025.

B. Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended May 31, 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.