



Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023

(unaudited)
(Expressed in Canadian dollars)

Exro Technologies Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars - Unaudited)

As at	Note	September 30, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	19,700,822	\$ 17,443,971
Accounts receivable		563,837	965,084
Prepaid expense		3,486,763	887,885
Inventory	7	4,977,139	2,174,892
		28,728,561	21,471,832
Investment	6	10,818,473	10,800,960
Property, plant, and equipment	8	29,950,292	26,216,425
Derivative asset	10	3,110,810	2,389,562
TOTAL ASSETS	\$	72,608,136	\$ 60,878,779
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	4,701,075	\$ 5,507,335
Unearned revenue	5	—	1,111,091
Lease liability – current portion	9	1,119,308	1,345,296
		5,820,383	7,963,722
Long-term debt		50,000	50,000
Lease liability – long-term portion	9	6,006,328	5,945,741
Convertible debentures	10	11,929,998	11,502,206
TOTAL LIABILITIES		23,806,709	25,461,669
SHAREHOLDERS' EQUITY			
Share capital	11	152,998,157	109,544,685
Contributed surplus		28,154,277	26,278,530
Equity component of convertible debentures	10	991,295	994,610
Deficit		(132,695,216)	(100,841,592)
Accumulated other comprehensive loss		(647,086)	(559,123)
TOTAL SHAREHOLDERS' EQUITY		48,801,427	35,417,110
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	72,608,136	\$ 60,878,779

Going concern (note 1)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 9, 2023. They are signed on the Company's behalf by:

“Rod Copes”

Director

“Frank Simpkins”

Director

See accompanying notes to the condensed consolidated interim financial statements

Exro Technologies Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars - Unaudited)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2023	2022	2023	2022
Revenue	5	2,032,669 \$	131,251	4,800,730	377,589
Cost of Sales		959,594 \$	117,772	2,508,252	258,195
GROSS PROFIT		\$ 1,073,075 \$	13,479 \$	2,292,478 \$	119,394
EXPENSES					
Payroll and consulting fees		3,900,282	4,036,927	12,195,221	10,107,960
Research and development	13	3,228,608	1,832,841	8,351,059	6,119,953
Selling, general and administration		2,533,045	2,696,853	7,183,330	8,520,678
Interest expense (income)		443,306	(3,850)	1,850,855	777,386
Depreciation expense	8	790,082	596,191	2,205,648	1,572,732
Share-based payments	11	1,891,930	687,661	3,118,962	2,227,559
Loss on disposal of assets	8	—	—	96,844	66,268
TOTAL EXPENSES		\$ (12,787,253) \$	(9,846,623) \$	(35,001,919) \$	(29,392,536)
Change in fair value of derivative asset	10	134,460	—	721,248	—
Foreign exchange gain		840,102	1,680,622	44,978	2,080,381
Other income		45,302	17,626	89,591	48,001
NET LOSS		\$ (10,694,314) \$	(8,134,896) \$	(31,853,624) \$	(27,144,760)
Items that may be subsequently reclassified to earnings:					
Gain (loss) on translation of foreign currency		(485,929)	521,744	(87,963)	620,267
OTHER COMPREHENSIVE LOSS		\$ (11,180,243) \$	(7,613,152) \$	(31,941,587) \$	(26,524,493)
Loss per share - basic and diluted	11	\$ (0.06) \$	(0.06) \$	(0.20) \$	(0.20)
Weighted average number of common shares outstanding		168,731,203	139,112,088	159,148,244	134,809,695

See accompanying notes to the condensed consolidated interim financial statements

Exro Technologies Inc.
Condensed Consolidated Interim Statements of Shareholders' Equity
(Expressed in Canadian dollars - Unaudited)

	Note	Number of outstanding shares	Share capital	Contributed surplus	Equity component of convertible debentures	Deficit	Accumulated other comprehensive income	Total shareholders' equity
Balance, December 31, 2021		120,905,274	\$ 82,845,028	\$ 15,775,637	\$ —	\$ (60,816,680)	\$ (30,116)	\$ 37,773,869
Financing, net of issuance cost	11	22,046,206	23,527,176	4,110,362	—	—	—	27,637,538
Shares issued on exercise of options	11	1,650,000	768,725	(332,725)	—	—	—	436,000
Shares issued on exercise of warrants	11	1,224,140	1,097,898	—	—	—	—	1,097,898
Share-based payments	11	—	—	2,829,494	—	—	—	2,829,494
Net Loss		—	—	—	—	(27,144,760)	—	(27,144,760)
Other comprehensive loss		—	—	—	—	—	(620,267)	(620,267)
Balance, September 30, 2022		145,825,620	\$ 108,238,827	\$ 22,382,768	\$ —	\$ (87,961,440)	\$ (650,383)	\$ 42,009,772
Balance, December 31, 2022		146,834,230	\$ 109,544,685	\$ 26,278,530	\$ 994,610	\$ (100,841,592)	\$ (559,123)	\$ 35,417,110
Financing, net of issuance cost	11	15,525,000	32,469,732	—	—	—	—	32,469,732
Shares issued for interest		422,533	899,995	—	—	—	—	899,995
Shares issued on conversion of debentures		20,833	43,213	—	(3,315)	—	—	39,898
Shares issued on exercise of options	11	699,170	1,036,393	(450,896)	—	—	—	585,497
Shares issued on exercise of warrants	11	5,448,436	9,004,139	(1,302,599)	—	—	—	7,701,540
Share-based payments	11	—	—	3,629,242	—	—	—	3,629,242
Net loss		—	—	—	—	(31,853,624)	—	(31,853,624)
Other comprehensive loss		—	—	—	—	—	(87,963)	(87,963)
Balance, September 30, 2023		168,950,202	\$ 152,998,157	\$ 28,154,277	\$ 991,295	\$ (132,695,216)	\$ (647,086)	\$ 48,801,427

See accompanying notes to the condensed consolidated interim financial statements

Exro Technologies Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars - Unaudited)

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2023	2022	2023	2022
OPERATING ACTIVITIES					
Net loss for the period		\$ (10,694,314)	\$ (8,134,896)	\$ (31,853,624)	\$ (27,144,760)
Items not involving cash:					
Depreciation	8	819,614	590,683	2,312,079	1,570,674
Share-based payments	11	2,065,950	835,765	3,629,242	2,829,494
Non-cash interest		607,853	565	1,817,685	1,646
Loss on disposal of assets	8	—	—	96,844	66,268
Unrealized foreign exchange gain		(274,671)	(778,369)	(17,513)	(965,437)
Change in fair value of derivative asset	10	(134,460)	—	(721,248)	—
Changes in non-cash working capital items:					
Accounts receivable		(221,890)	157,244	396,753	4,618
Prepaid expenses		(1,560,427)	204,178	(2,596,116)	1,409,690
Accounts payable and accrued liabilities		(130,350)	707,861	(229,606)	787,366
Inventory	7	(2,166,249)	(1,314,187)	(2,805,435)	(2,630,272)
Unearned revenue	5	(1,792,888)	769,341	(1,102,324)	1,492,176
Cash used in operating activities		(13,481,832)	(6,961,815)	(31,073,263)	(22,578,537)
INVESTING ACTIVITIES					
Purchase of equipment	8	(2,029,832)	(2,524,470)	(5,570,249)	(8,015,917)
Change in non-cash working capital		990,502	(183,986)	(735,354)	237,085
Cash used in investing activities		(1,039,330)	(2,708,456)	(6,305,603)	(7,778,832)
FINANCING ACTIVITIES					
Proceeds from financings	11	—	9,789,945	34,931,251	30,145,865
Share issue costs	11	(45,107)	(893,439)	(2,461,519)	(2,508,327)
Proceeds from exercise of options	11	118,430	291,600	585,497	436,000
Proceeds from exercise of warrants	11	228,073	672,091	7,701,540	1,097,898
Principal repayment of lease liability	9	(275,040)	(140,722)	(722,627)	(279,590)
Change in non-cash working capital		(178,851)	123,415	(291,274)	22,039
Cash (used in) provided by financing activities		(152,495)	9,842,890	39,742,868	28,913,885
Impact of foreign currency translation		(592,165)	(662,507)	(107,151)	(791,245)
Increase (decrease) in cash and cash equivalents		(15,265,822)	(489,888)	2,256,851	(2,234,729)
Cash and cash equivalents, beginning of the period		34,966,644	13,604,371	17,443,971	15,349,212
Cash and cash equivalents, end of period		\$ 19,700,822	\$ 13,114,483	\$ 19,700,822	\$ 13,114,483

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Exro Technologies Inc. (“Exro” or the “Company”) is incorporated under the British Columbia Business Company Act. The Company’s shares are listed on the TSX Exchange (“TSX”) and trades under the symbol “EXRO”. The Company’s head office is located at 12–21 Highfield Circle S.E., Calgary, Alberta, T2G 5N6. The Company is working towards commercialization and series production of its patented Coil Driver™ technology and proprietary system architecture for power electronics, as well as its Cell Driver™ technology for stationary energy storage.

Going Concern Assumption

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated substantial revenues and has incurred substantial losses to date. The ability for the Company to continue as a going concern is dependent on the Company’s ability raise capital for research and development activities and to achieve product commercialization and series production.

The Company plans to fill the production capacity at its Calgary, Alberta automotive manufacturing facility by building on the non-binding purchase orders entered into to date for its proprietary Coil Driver™. In addition the Company has entered into distribution agreements for its Cell Driver™, and expects to generate continued revenue from its services division.

The Company is largely dependent upon external financings to fund its activities. In order to carry out planned development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed through, but not limited to, accessing capital markets, lease financing and debt agreements. There is no guarantee these plans will be successful.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial reporting” as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements of Exro for the fiscal year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual financial statements of Exro for the year ended December 31, 2022.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, DPM Technologies Inc., Exro Technologies USA Inc. and Exro Vehicle Systems Inc. All inter-company balances and transactions have been eliminated on consolidation.

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(b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value

(c) Functional currency and presentation

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its Canadian based subsidiaries.

(d) Basis of consolidation

The Company controls an investee if the Company has power over the entity; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

Subsidiaries	Location of Operations	Percent Ownership	Functional Currency
DPM Technologies Inc.	Vancouver, Canada	100%	Canadian Dollar
Exro Technologies USA, Inc.	Arizona, USA	100%	US Dollar
Exro Vehicle Systems Inc.	Michigan, USA	100%	US Dollar

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statements for the fiscal year-ended December 31, 2022.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New interpretations and amended standards adopted by the Company

IAS 12 - Income Taxes ("IAS 12"), has been amended to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company has assessed this amendment and has applied it with no material impact on its condensed consolidated interim financial statements. These amendments are effective for periods beginning on or after January 1, 2023.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted as follows. The Company is reviewing the new standards but does not expect their future adoption to have a material impact on Exro in the current or future reporting periods.

IAS 1 – Presentation of Financial Statements, has been amended to clarify how to classify debt and other liabilities as either current or non-current and how the entity has the right to defer settlement of a liability arising from a loan arrangement for at least twelve months after reporting period. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024.

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5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	September 30, 2023	September 30, 2022
Engineering services revenue	4,800,730	377,589
Balance end of period	4,800,730	377,589

The Engineering services revenue during the period ended September 30, 2023 is driven by engineering consulting expertise provided on contracts with customers.

Unearned revenue

	September 30, 2023	December 31, 2022
Beginning of period	1,111,091	31,809
Recognized revenue during the period	(4,800,730)	(2,185,448)
Additional billed amounts during the period	3,689,639	3,264,730
Balance end of period	—	1,111,091

6. INVESTMENT

On February 9, 2021, the Company announced an extended strategic collaboration agreement with SEA Electric Holdings Pty Ltd. ("SEA Electric"). As part of the agreement, Exro invested US\$5,000,000 in SEA Electric by subscribing for 124,380 Series A Preferred Shares at a price of US\$40.1995 per share. The shares are convertible into common shares of SEA at the option of Exro and automatically convert to common shares under certain conditions, including SEA completing a going public transaction.

As at September 30, 2023, the fair value of the Company's investments in Sea Electric was estimated to be \$10,818,473 (US\$7,960,320) compared to \$10,800,960 at December 31, 2022 (US\$7,960,320). The Company considered previous share transactions, relevant industry information, changes in the relevant indices during the three and nine months ended September 30, 2023, and any specific information available to a market participant to assess the fair value of the shares. For the three and nine months ended September 30, 2023 there was a large variation in the change in relevant indices and comparable companies; however, the Company observed no direct changes in SEA Electric based on available market data, and determined there was no change in the fair value of the investment for the period ended September 30, 2023.

Significant judgement is used in determining the fair value, including the use of non-observable market data. Material uncertainty exists with respect to the fair value of the investment in SEA Electric and there is no guarantee the Company will realize the fair value associated with the investment.

7. INVENTORY

The components of inventory are as follows:

	September 30, 2023	December 31, 2022
Raw materials	4,905,076	1,509,809
Work in progress	72,063	665,083
Balance September 30, 2023	4,977,139	2,174,892

Inventory is held at the lower of cost and net realizable value. The Company assesses its inventory valuation each period. For the three and nine months ended September 30, 2023 the Company recorded no

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write-downs related to inventory in cost of goods sold and impairment. Inventories recognized as an expense and included in 'cost of sales' in the condensed consolidated interim statements of loss and comprehensive loss during the three and nine months ended September 30, 2023 amounted to \$959,594 and \$2,508,252.

8. PROPERTY PLANT AND EQUIPMENT

	Right-of-use asset	Machinery and equipment	Furniture and office equipment	Assets under construction	Total
Cost					
Balance, December 31, 2022	\$ 7,819,876	\$ 3,345,213	\$ 5,413,975	\$ 12,765,002	\$ 29,344,066
Additions	111,052	969,024	792,962	4,253,269	6,126,307
Transfers	—	7,504,743	1,714,615	(9,219,358)	—
Dispositions	—	—	(284,590)	—	(284,590)
Impact of foreign exchange	5,200	5,152	7,819	10,617	28,788
Balance, September 30, 2023	\$ 7,936,128	\$ 11,824,132	\$ 7,644,781	\$ 7,809,530	\$ 35,214,571
Accumulated Depreciation					
Balance, December 31, 2022	\$ 1,320,364	\$ 698,451	\$ 1,108,826	\$ —	\$ 3,127,641
Depreciation for the period	852,116	592,374	867,589	—	2,312,079
Dispositions	—	—	(187,745)	—	(187,745)
Impact of foreign exchange	4,966	4,342	2,996	—	12,304
Balance, September 30, 2023	\$ 2,177,446	\$ 1,295,167	\$ 1,791,666	\$ —	\$ 5,264,279
Carrying amounts					
At December 31, 2022	\$ 6,499,512	\$ 2,646,762	\$ 4,305,149	\$ 12,765,002	\$ 26,216,425
At September 30, 2023	\$ 5,758,682	\$ 10,528,965	\$ 5,853,115	\$ 7,809,530	\$ 29,950,292

During the period the Company transferred \$9,219,358 from assets under construction to in service assets, of which all of the assets related to furniture and office equipment.

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9. LEASE LIABILITY

	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 7,291,037	\$ 5,136,743
Additions for the period	556,058	2,526,084
Lease payments	(1,183,590)	(729,832)
Interest	460,963	358,042
Impact of foreign exchange	1,168	—
Balance, end of period	\$ 7,125,636	\$ 7,291,037
Consists of:		
Current lease liability	\$ 1,119,308	\$ 1,345,296
Non-current lease liability	6,006,328	5,945,741
Balance, end of period	\$ 7,125,636	\$ 7,291,037

The Company's lease liabilities relate primarily to leased facilities in which the Company conducts its business, including facilities for research and development activities, product manufacturing, and office space.

10. CONVERTIBLE DEBENTURES

During the period ended September 30, 2023 the Company recognized a change in the derivative asset of \$721,248, based on changes to valuation inputs, including changes to; in the time to maturity, share price, and the risk free rate compared to December 31, 2022. The below table summarizes the change in number of convertible debentures outstanding and the liability component of convertible debentures:

	Number of convertible debentures	Liability component
Balance at December 31, 2022	15,000	\$ 11,502,206
Accretion	—	467,689
Conversion	(50)	(39,897)
Balance at September 30, 2023	14,950	\$ 11,929,998

The Company settled interest owing at June 30, 2023 through the issuance of 422,533 common shares at a price of \$2.13, for a total of \$899,995.

During the period ended September 30, 2023, 50 debenture units were converted into 20,833 common shares.

11. SHARE CAPITAL

(a) Authorized common shares

There are an unlimited number of common shares without par value authorized for issue.

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(b) Preferred shares

There are an unlimited number of preferred shares authorized for issue.

(c) Issued and outstanding

At September 30, 2023, the Company had 168,950,202 common shares issued and outstanding.

During the nine months ended September 30, 2023, the Company:

- On May 30, 2023 the Company issued 15,525,000 common shares at a price of \$2.25 per common share for aggregate gross proceeds to the Company of \$34,931,251.
- Issued 5,448,436 shares on the exercise of warrants for total proceeds of \$7,701,540.
- Issued 699,170 shares on the exercise of options for total proceeds of \$585,497.

During the nine months ended September 30, 2022, the Company:

- On September 1, 2022 the Company issued 7,920,000 units at a price of \$1.05 for aggregate gross proceeds of \$8,316,000 through public offering and issued an additional 1,403,756 units at a price of \$1.05 per unit for aggregate gross proceeds of \$1,473,944 through private offering on September 20, 2022. Each Unit consists of one common share of the Company (a "Share") and one share purchase warrant (a "Warrant"), with each Warrant exercisable to acquire one Share at a price of \$1.36 per share for a period of 48 months following the issuance date of the Warrant (the "Closing Date"). If at any time after the Closing Date the closing price of the Shares on the Toronto Stock Exchange (the "TSX"), or such other stock exchange where the majority of the trading volume occurs, exceeds or is equal to \$2.72 per Share (on a volume-weighted adjusted basis) for a period of twenty (20) consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date of the Warrants to the date that is 30 calendar days after the Company issues a press release announcing that it has exercised such acceleration right.
- On February 4, 2022 issued 12,722,450 units (the "units") at a price of \$1.60 per unit (the "issue price") for aggregate gross proceeds of \$20,355,920. The total number of Units sold in the offering includes 1,659,450 units issued pursuant to the exercise of an over allotment option granted to the Underwriters, which was fully exercised by the Underwriters. Each Unit consists of one common share in the capital of the Company, and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable for one common share at a price of \$2.00 per common share until February 4, 2025. In connection with the offering the underwriters were issued 750,847 broker warrants with an exercise price of \$1.60 per unit, each entitling their holder to acquire one common share of the Company at the issue price for a period of 36 months following the closing of the offering.
- Issued 1,224,140 shares on exercise of warrants for total proceeds of \$1,097,898.
- Issued 1,650,000 shares on exercise of options for total proceeds of \$436,000.

The Company's long-term incentive plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and consultants of the Company, Restricted Share Units ("RSU"), Performance Share Units ("PSU"), Director Share Units ("DSU"), or Stock Options. The long-term incentive plan is a 10% rolling plan.

Under the long-term incentive plan, the maximum number of common shares that may be granted in favor of any single individual will not exceed 10% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be granted in favor of directors and senior officers under the long-term incentive is 10% of the issued and outstanding common shares at the date of grant.

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During the periods ended September 30, 2023 and 2022 the Company recorded share-based payments of \$3,629,242 and \$2,829,494, respectively. For the period ended September 30, 2023, \$510,280 of share-based payment expense was allocated to research and development (2022 - \$601,935). For the three months ended September 30, 2023 and 2022 the Company recorded share-based payments of \$2,065,950 and \$835,765, respectively.

(d) Stock options

The fair values of share options granted were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	September 30, 2023	September 30, 2022
Risk-free interest rate	3.46%	2.76%
Estimated annualized volatility	94.43%	105.01%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Exercise price	\$2.18	\$1.33
Share price	\$2.18	\$1.33
Fair value	\$1.60	\$1.03

The vesting terms for the stock options granted during the period ended September 30, 2023 were as follows:

- 399,500 options vest 33% six months after grant, 33% twelve months after grant and the remaining eighteen months after grant.
- 1,600,000 options vest 33% one month after grant, 33% seven months after grant and the remaining thirteen months after grant.
- 119,500 options vested 20% on grant date, and 20% annually thereafter.
- 700,000 options vested immediately on grant.

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2022	9,629,531	2.06
Granted	2,819,000	2.20
Exercised	(699,170)	0.84
Forfeited	(648,011)	2.84
Balance, September 30, 2023	11,101,350	2.12

The weighted average share price (at the date of exercise) of options exercised during the period ended September 30, 2023 was \$2.38.

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The following table summarizes information about the Company's share options outstanding as at September 30, 2023:

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
November 8, 2023	\$ 0.41	150,000	150,000
September 13, 2024	\$ 0.25	1,900,000	1,900,000
March 9, 2025	\$ 0.38	401,667	401,667
August 31, 2025	\$ 1.00	961,050	961,050
October 13, 2025	\$ 3.15	1,600,000	1,600,000
January 13, 2026	\$ 3.93	326,500	326,500
April 6, 2026	\$ 4.77	1,010,000	1,010,000
June 28, 2026	\$ 3.93	320,000	320,000
September 20, 2026	\$ 2.96	655,000	655,000
November 22, 2026	\$ 3.75	50,000	50,000
April 12, 2027	\$ 1.47	592,100	376,200
September 2, 2027	\$ 1.05	195,170	127,000
November 17, 2027	\$ 1.44	200,000	200,000
March 10, 2028	\$ 2.51	385,500	127,215
May 31, 2028	\$ 2.12	1,538,863	528,002
July 4, 2028	\$ 2.15	815,500	723,900
Total		11,101,350	9,456,534

(e) Warrants

The fair value of broker and compensation warrants granted during the nine months ended September 30, 2023 and September 30, 2022 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	September 30, 2023	September 30, 2022
Risk-free interest rate	n/a	1.44%
Estimated annualized volatility based on comparable companies	n/a	110.21%
Expected life	n/a	3 years
Expected dividend yield	n/a	0%
Exercise price	n/a	\$1.60
Fair value	n/a	\$1.07

On February 4, 2022 the Company issued 6,361,225 publicly traded warrants in connection with the closing of the bought deal financing. The fair value of the warrants was calculated using the trading price at the date of inception, and included in contributed surplus.

On September 1, 2022 the Company issued 7,920,000 warrants in connection with the closing of the public offering agreement and issued 1,403,757 warrants on September 20, 2022 in connection with the closing of the private offering agreement. The fair value of the warrants were calculated using the residual method on the day of close, and included in contributed surplus.

On December 30, 2022 the Company issued 6,240,000 warrants in connection with the closing of its senior secured convertible debentures. The fair value of the warrants was determined using a Monte Carlo simulation assuming an annualized volatility of 73.00%.

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Warrant transactions and the number of warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2022	21,803,719	1.85
Exercised	(5,448,436)	1.41
Balance, September 30, 2023	16,355,283	\$1.98

The following table summarizes information about the Company's warrants outstanding as at September 30, 2023 and December 31, 2022:

Date of Expiry	Exercise Price	September 30, 2023	December 31, 2022
February 4, 2025	\$2.00	6,191,225	6,361,225
February 4, 2025	\$1.60	90,911	750,847
September 1, 2026	\$1.36	3,029,390	7,047,890
September 20, 2026	\$1.36	803,757	1,403,757
December 30, 2027	\$2.40	6,240,000	6,240,000
Total		16,355,283	21,803,719

(f) Performance share units

PSU transactions and the number of units outstanding are summarized below:

	Number of Units
Balance, December 31, 2022	—
Granted	754,375
Forfeited	(45,625)
Balance, September 30, 2023	708,750

The Company issued 754,375 PSU's on May 31, 2023. The units vest subject to the Company meeting certain revenue targets. The Company, at its discretion, may settle the award value of vested PSU's in common shares or cash.

The following table summarizes information about the Company's PSU's outstanding as at September 30, 2023:

Date of Expiry	Number of Units Outstanding	Number of Units Exercisable
December 31, 2024	283,500	—
December 31, 2026	425,250	—
Total	708,750	—

(g) Restricted share units

RSU transactions and the number of units outstanding are summarized below.

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	Number of Units
Balance, December 31, 2022	—
Granted	212,262
Balance, September 30, 2023	212,262

The Company issued 212,262 to its directors on May 31, 2023 in accordance with its long-term incentive plan. RSU's were valued at their intrinsic value on the date of grant. The Company, at its discretion, may settle the award value of vested RSU's in common shares or cash.

The vesting terms for the RSU's granted during the period ended September 30, 2023 were as follows:

- 141,508 units vest 33% one month after grant, 33% seven months after grant and the remaining thirteen months after grant.
- 70,754 units vest 33% one month after grant, and the remainder vested on August 1, 2023.

Subsequent to September 30, 2023, 150,000 RSU's were granted to directors of the Company. The RSU's vest 33% six months after grant, 33% one year after grant, and the remaining 34% eighteen months after grant.

Grant Date	Number of Units Outstanding	Number of Units Exercisable
May 31, 2023	212,262	117,452

(h) Loss per share

For the period ended September 30, 2023, 9,456,534 options, 16,355,283 warrants, and 117,452 RSU's were exercisable and excluded from the calculation of diluted loss per share as the impact was anti-dilutive (September 30, 2022 - 6,901,316 options and 17,021,679 warrants were exercisable and excluded from the calculation). An additional 6,229,217 of shares issuable on the conversion of the debentures were excluded from the calculation of diluted loss per share for the period ended September 30, 2023.

Semi-annual interest payments on the convertible debentures (note 10) may be settled through the issuance of common shares at the Company's option. Such share issuance that may occur in future periods have been excluded from the calculation of diluted loss as the impact was anti-dilutive.

12. FINANCIAL INSTRUMENTS

(a) Fair value

At September 30, 2023 and September 30, 2022, the carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

The Company uses a fair value hierarchy to reflect the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

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The fair value of the investments in private companies represents a level 3 instrument based on the change in observable inputs available as at September 30, 2023 (note 6).

(b) Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at September 30, 2023, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents, accounts receivable and long-term investments. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure.

The Company applies the simplified approach under IFRS 9 and has calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has a limited number of counterparties in the period, as such no credit loss provision has been recorded.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, including risks associated with reaching commercialization and achieving revenue. To secure the additional capital necessary to pursue its plans, the Company intends to raise additional funds through equity or debt financing (note 1).

As at September 30, 2023, the Company had cash of \$19,700,822 and accounts payable and accrued liabilities of \$4,701,075. As at September 30, 2023, the Company had \$6,953 in accounts payable and accrued liabilities over 90 days.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash.

Market risk

Market risk consists of currency risk, interest rate risk and other price risk. These are discussed further below.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At September 30, 2023, the Company had the equivalent of \$10,281,362 of net financial assets denominated in US dollars, \$42,282 of net financial liabilities denominated in Euros, and \$2,832 of net financial liabilities denominated in Great Britain Pounds.

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Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk.

The Company has exposure to other price risk through its investment in SEA Electric. Changes in the expected share price will impact the fair value of the investment in the Company. A US\$1.00 change in the share price would result in a gain/loss of US\$124,380.

13. RESEARCH AND DEVELOPMENT

Costs incurred for research and development activities include materials, supplies and software expenses in order to complete testing over the Company's products. Additionally, the Company allocates payroll and consulting fees, and share-based payment expenses to research and development based on the time attributable to related activities.

The following table summarizes the Company's components of research and development expense:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Research and development	\$ 1,533,142	\$ 574,968	\$ 3,510,267	\$ 2,247,709
Payroll and consulting fees	1,521,446	1,109,769	4,330,512	3,270,309
Share-based payments	174,020	148,104	510,280	601,935
	\$ 3,228,608	\$ 1,832,841	\$ 8,351,059	\$ 6,119,953