



**Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2021**

*(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, 2021	December 31, 2020
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	28,112,764	\$ 48,298,894
Amounts receivable		159,632	159,268
Prepaid expense		605,335	361,063
		28,877,731	48,819,225
Deposits		-	7,500
Investments	4	9,497,664	-
Property, plant and equipment	5	10,899,547	1,347,856
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>49,274,942</b>	<b>\$ 50,174,581</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	3,543,548	\$ 1,780,726
Lease liability – current portion	6	342,364	112,235
		3,885,912	1,892,961
Long-term debt	7	47,053	25,719
Lease liability – long-term portion	6	3,800,643	250,158
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>7,733,608</b>	<b>\$ 2,168,838</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	82,706,116	78,011,435
Contributed surplus	8	13,136,083	6,232,026
Deficit		(54,279,312)	(36,237,718)
Accumulated other comprehensive loss		(21,553)	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b>41,541,334</b>	<b>\$ 48,005,743</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b>49,274,942</b>	<b>\$ 50,174,581</b>

These condensed consolidated Interim financial statements were authorized for issue by the Board of Directors on November 9, 2021. They are signed on the Company's behalf by:

"Mark Godsy"

Director

"Jill Bodkin"

Director

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

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

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2021	2020	2021	2020
<b>EXPENSES</b>					
Selling, general and administration		\$ 1,635,236	\$ 706,402	\$ 3,564,133	\$ 1,887,446
Payroll and consulting fees		1,792,377	984,700	4,514,181	2,575,305
Research and development	11	2,019,303	241,023	5,042,480	717,035
Amortization expense	5	199,010	56,552	409,786	115,572
Share-based payments	8	2,525,668	1,034,324	7,553,179	1,355,637
Interest expense (income)		51,584	7,867	31,007	9,011
<b>TOTAL EXPENSES</b>		<b>\$ (8,223,178)</b>	<b>\$ (3,030,868)</b>	<b>\$ (21,114,766)</b>	<b>\$ (6,660,006)</b>
Gain on investment	4	-	-	3,058,977	-
Foreign exchange gain (loss)		600,948	(17,063)	14,195	(33,819)
Gain on settlement of debt		-	16,104	-	16,104
Income from government grants	7	-	15,575	-	15,575
Loss on disposition of subsidiary		-	26,505	-	(99,052)
<b>NET LOSS</b>		<b>\$ (7,622,230)</b>	<b>\$ (2,989,747)</b>	<b>\$ (18,041,594)</b>	<b>\$ (6,761,198)</b>
Gain (loss) on translation of foreign currency		(10,214)	-	(21,553)	-
<b>COMPREHENSIVE LOSS</b>		<b>(7,632,444)</b>	<b>(2,989,747)</b>	<b>(18,063,147)</b>	<b>(6,761,198)</b>
Loss per share – basic and diluted		\$ (0.06)	\$ (0.03)	\$ (0.15)	\$ (0.08)
Weighted average number of common shares outstanding		120,551,027	95,441,272	119,893,151	84,986,407

*The accompanying notes are an integral part of these 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	Deficit	Accumulated other comprehensive income	Total shareholders' equity
<b>Balance, December 31, 2020</b>		<b>117,445,808</b>	<b>\$ 78,011,435</b>	<b>\$ 6,232,026</b>	<b>\$ (36,237,718)</b>	<b>\$ -</b>	<b>\$ 48,005,743</b>
Financing, net of issuance cost		-	25,000	-	-	-	25,000
Shares issued on exercise of options		2,133,201	2,530,646	(1,093,972)	-	-	1,436,674
Shares issued on exercise of warrants		1,045,265	2,139,035	(736,386)	-	-	1,402,649
Share-based payments	8, 11	-	-	8,734,415	-	-	8,734,415
Net loss		-	-	-	(18,041,594)	-	(18,041,594)
Other comprehensive loss		-	-	-	-	(21,553)	(21,553)
<b>Balance, September 30, 2021</b>		<b>120,624,274</b>	<b>\$ 82,706,116</b>	<b>\$ 13,136,083</b>	<b>\$ (54,279,312)</b>	<b>\$ (21,553)</b>	<b>\$ 41,541,334</b>
<b>Balance, December 31, 2019</b>		<b>69,876,744</b>	<b>\$ 24,048,395</b>	<b>\$ 1,793,846</b>	<b>\$ (25,268,264)</b>	<b>\$ -</b>	<b>\$ 573,977</b>
Private placement, net of issuance cost		24,572,044	10,436,213	688,095	-	-	11,124,308
Shares issued on exercise of options		1,425,500	798,813	(309,963)	-	-	488,850
Shares issued on exercise of warrants		2,436,348	1,709,861	(259,634)	-	-	1,450,227
Reversal of expired options and warrants		-	-	(222,670)	222,670	-	-
Share-based payments	8, 11	-	-	1,355,637	-	-	1,355,637
Net loss		-	-	-	(6,761,198)	-	(6,761,198)
<b>Balance, September 30, 2020</b>		<b>98,310,636</b>	<b>\$ 36,993,282</b>	<b>\$ 3,045,311</b>	<b>\$ (31,806,792)</b>	<b>\$ -</b>	<b>\$ 8,231,801</b>

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

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
<b>OPERATING ACTIVITIES</b>					
Net loss for the period		\$ (7,622,230)	\$ (2,989,747)	\$ (18,041,594)	\$ (6,761,198)
Items not involving cash:					
Amortization	5	199,010	57,352	409,786	116,372
Share-based payments	8, 11	2,960,810	1,034,324	8,734,415	1,355,637
Unrealized gain on investments	4	-	-	(3,058,977)	-
Unrealized foreign exchange loss		(228,287)	-	(55,037)	-
Gain on settlement of debt		-	(16,104)	-	(16,104)
Income from government grant		-	(15,575)	-	(15,575)
Loss (gain) on sale of subsidiary and investments		-	(26,505)	-	99,052
		(4,690,697)	(1,956,255)	(12,011,407)	(5,221,816)
Net changes in non-cash working capital items:					
Amounts receivable		(35,413)	(12,259)	(364)	(49,921)
Prepaid expenses		(117,979)	51,111	(244,272)	(82,069)
Accounts payable and accrued liabilities		741,802	470,767	206,034	734,651
Deposits		-	3,875	7,500	7,886
<b>Cash used in operating activities</b>		<b>\$ (4,102,287)</b>	<b>\$ (1,442,761)</b>	<b>\$ (12,042,509)</b>	<b>\$ (4,611,269)</b>
<b>INVESTING ACTIVITIES</b>					
Net cash on disposal of subsidiary		-	29,564	-	(9,631)
Purchase of equipment	5	(3,338,313)	(539,031)	(6,123,845)	(586,740)
Purchase of investments	4	-	-	(6,358,650)	-
Change in non-cash working capital		1,556,788	-	1,556,788	-
<b>Cash used in investing activities</b>		<b>\$ (1,781,525)</b>	<b>\$ (509,467)</b>	<b>\$ (10,925,707)</b>	<b>\$ (596,371)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from financings		-	7,937,886	-	12,414,589
Share issue cost		-	(934,830)	-	(1,290,281)
Proceeds from exercise of options		490,031	361,350	1,436,674	488,850
Proceeds from exercise of warrants		4,650	1,099,437	1,402,649	1,450,227
Proceeds from long term debt	7	-	-	20,000	40,000
Principal repayments of lease liability	6	8,442	(19,771)	(55,684)	(70,130)
<b>Cash provided by financing activities</b>		<b>\$ 503,123</b>	<b>\$ 8,444,072</b>	<b>\$ 2,803,639</b>	<b>\$ 13,033,255</b>
Impact of foreign currency translation		(10,214)	-	(21,553)	-
Change in cash		(5,390,903)	6,491,844	(20,186,130)	7,825,615
Cash, beginning of the period		33,503,667	1,830,407	48,298,894	496,636
<b>Cash, end of the period</b>		<b>\$ 28,112,764</b>	<b>\$ 8,322,251</b>	<b>\$ 28,112,764</b>	<b>\$ 8,322,251</b>

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**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*(Expressed in Canadian dollars – Unaudited)*

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**1. NATURE OF OPERATIONS**

Exro Technologies Inc. (“Exro” or the “Company”) is incorporated under the British Columbia Business Corporations 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 commercializing its patented coil driver technology and propriety system architecture for power electronics, as well as the battery control system technology as stationary energy storage.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These condensed consolidated Interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting 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, 2020, 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, 2020.

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

**(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.

The Company controls an investee if the Company has power over the investee; 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 year 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.

**(c) Functional and presentation currency**

These condensed consolidated Interim financial statements are presented in Canadian dollars, which is the Company’s functional and reporting currency.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Significant accounting policies**

These consolidated condensed 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, 2020, except as described below.

**(b) Financial instruments**

All financial instruments are recorded at fair value on initial recognition.

Financial assets and liabilities

All financial assets are initially recorded at fair value plus directly attributable transaction costs. Non-equity instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The subsequent measurement of such financial assets and liabilities are carried at fair value, with changes recognized in the Consolidated Statements of Comprehensive Loss.

Financial assets and liabilities classified as amortized cost are subsequently carried at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly

**Exro Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

*(Expressed in Canadian dollars – Unaudited)*

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discounts estimated future cash receipts or payments through the expected life of the financial assets and liabilities, or, where appropriate, a shorter period. Gains and losses are recognized in the Consolidated Statements of Comprehensive Income when the assets are de-recognized or impaired.

Financial assets are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired, which would indicate one or more events have had a negative effect on the estimated future cash flows of the asset and will not be realized. For loans and receivables, the amount of impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. If there is impairment, the carrying amount of the financial asset is reduced by the impairment loss. The loss is recognized in the Consolidated Statements of Comprehensive Income.

**(c) Government assistance**

Government assistance is recognized when there is reasonable assurance that the assistance will be received, and all related conditions are complied with. Government assistance received in respect of expenditures are credited to income, netted against the expense to which they relate. Government assistance in respect of long-term debts is credited to the carrying amount of the related liabilities and carried at amortized cost using the effective interest rate method.

**(d) Assets under construction**

Depreciation of assets under construction commences when the assets are ready and being utilized for their intended use. The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by adjusting the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

**4. INVESTMENTS**

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, 2021 the fair value of the Company's investment in SEA Electric was estimated to be \$9,497,664 (US \$7,462,800), based on the transaction price of common shares issued during the period. The resulting gain on investment of \$3,058,977 (US \$2,462,800) is included in the condensed consolidated statement of comprehensive loss.

The Company recognized a fair value gain of nil for the three months ended September 30, 2021 based on the market data available, including an assessment over the relevant industry indexes. No changes in the business or nature of the investment held in SEA occurred during the three-month period.

**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**5. PROPERTY, PLANT AND EQUIPMENT**

	Right-of-use asset	Research and development	Furniture and office equipment	Assets under construction	Total
<b>Cost</b>					
Balance, December 31, 2020	\$ 493,042	\$ 741,778	\$ 376,716	\$ -	\$ 1,611,536
Additions	3,836,298	237,229	844,298	5,042,318	9,960,143
Dispositions	(57,737)	-	-	-	(57,737)
<b>Balance, September 30, 2021</b>	<b>\$ 4,271,603</b>	<b>\$ 979,007</b>	<b>\$ 1,221,014</b>	<b>\$ 5,042,318</b>	<b>\$ 11,513,942</b>
<b>Accumulated amortization</b>					
Balance, December 31, 2020	\$ 139,922	\$ 92,193	\$ 31,565	\$ -	\$ 263,680
Amortization for the period	172,252	78,356	157,844	-	408,452
Dispositions	(57,737)	-	-	-	(57,737)
<b>Balance, September 30, 2021</b>	<b>\$ 254,437</b>	<b>\$ 170,549</b>	<b>\$ 189,409</b>	<b>\$ -</b>	<b>\$ 614,395</b>
<b>Carrying amounts</b>					
At December 31, 2020	\$ 353,120	\$ 649,585	\$ 345,151	\$ -	\$ 1,347,856
<b>As at September 30, 2021</b>	<b>\$ 4,017,166</b>	<b>\$ 808,458</b>	<b>\$ 1,031,605</b>	<b>\$ 5,042,318</b>	<b>\$ 10,899,547</b>

The Company's right of use assets relates to lease of office space, a testing facility, and a manufacturing facility.

**6. LEASE LIABILITIES**

December 31, 2020	\$ 362,393
Additions	3,836,298
Deduct:	
Lease payments	(124,673)
Add:	
Interest	68,989
<b>September 30, 2021</b>	<b>\$ 4,143,007</b>
Which consists of	
Current portion of lease liability	342,364
Long-term portion of lease liability	3,800,643
	<b>\$ 4,143,007</b>

On March 16, 2021, the Company entered a ten-year lease commencing on August 1, 2021 for a 36,966 square foot manufacturing facility and office area in Calgary AB Canada. The lease agreement commenced on August 1, 2021 and provides an eight-month rent free period until March 31, 2022, plus an additional 12 month rent free period on 25% of the building from April 1, 2022 to March 31, 2023.

On July 6, 2021 the Company entered a 65-month lease, which commenced on October 15, 2021, for a 15,000 square foot multipurpose facility in Mesa, Arizona, United States, and will expand Company's research, development, and testing capabilities. The lease agreement includes a five-month rent free period until February 28, 2022, upon which point the Company is obligated to pay basic rent of \$14,354 per month, plus operating costs.



**Exro Technologies Inc.**  
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**7. LONG TERM DEBT AND GOVERNMENT ASSISTNANCE**

On April 30, 2020, The Company received the \$40,000 Canada Emergency Business Account (“CEBA”) which is an interest-free loan to cover operating costs. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000. On issuance the Company recognized the loan at its estimated fair value of \$24,425 with the difference of \$15,575 recorded as other income

On April 23, 2021, The Company received an additional \$20,000 CEBA. Repaying the amount balance of the loan on before January 1, 2023 will result in loan forgiveness of \$10,000.

**8. SHARE CAPITAL**

**(a) Authorized common shares**

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

**(b) Preferred shares**

There are an unlimited number preferred shares authorized for issue.

**(c) Issued and outstanding**

At September 30, 2021 the company had 120,624,274 common shares issued and outstanding (December 31, 2020 – 117,445,808)

During the nine months ended September 30, 2021, the Company issued:

- 2,133,201 shares on exercise of options for total proceeds of \$1,436,674
- 1,045,265 shares on exercise of warrants for total proceeds of \$1,402,649

**(d) Stock options**

The Company’s incentive stock option plan (the “Option Plan”) provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. The Option Plan is a 20% fixed plan.

Under the Option Plan, the maximum number of common shares that may be optioned in favor of any single individual will not exceed 5% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be optioned in favor of directors and senior officers under the Option Plan is 10% of the issued and outstanding common shares at the date of grant.

During the nine months ended September 30, 2021 and 2020, the Company recorded share-based payments of \$8,734,415 and \$1,355,637, respectively, of which \$1,181,236 and nil were allocated to research and development expenses, and the remainder included as share-based payments. The expense recognized during these periods is a result of the amortization of unvested options granted in the reported period as well as in prior periods. The fair values of share options granted were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

nine months ended September 30,	2021	2020
Risk-free rate	0.85%	0.47%
Estimated annualized volatility	116.49%	105.71%
Expected life	5 years	4.94 years
Expected dividend yield	-	-
Exercise price	\$ 3.94	\$ 0.81
Share price	\$ 3.94	\$ 0.95
Fair Value	\$ 3.20	\$ 0.62

**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price
Balance, December 31, 2020	10,697,167	\$ 1.08
Granted	3,140,000	\$ 3.10
Exercised	(2,133,201)	\$ 0.67
Forfeited	(84,000)	\$ 0.25
<b>Balance, September 30, 2021</b>	<b>11,619,966</b>	<b>\$ 1.71</b>

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
August 22, 2022	\$ 0.20	1,400,000	1,400,000
October 26, 2022	\$ 0.28	200,000	200,000
November 8, 2023	\$ 0.41	400,000	400,000
September 13, 2024	\$ 0.25	2,100,000	1,100,000
March 9, 2025	\$ 0.38	481,666	481,666
August 31, 2025	\$ 1.00	1,645,800	1,106,520
October 13, 2025	\$ 3.15	2,252,500	665,940
January 13, 2026	\$ 3.93	645,000	163,350
April 6, 2026	\$ 4.77	1,100,000	25,000
June 28, 2026	\$ 3.93	495,000	-
September 1, 2026	\$ 2.93	900,000	-
<b>Total</b>		<b>11,619,966</b>	<b>5,542,476</b>

As at September 30, 2021, the weighted average remaining life for outstanding options was 3.5 years.

**(e) Warrants**

During the nine months ended September 30, 2021 and 2020, the Company recorded share issuance costs of \$nil and \$636,004 respectively related to nil and 828,463 warrants issued. In addition, the fair values of broker and compensation warrants granted during the nine months ended September 30, 2021 and 2020 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

nine months ended September 30,	2021	2020
Risk-free rate	N/A	0.79%
Estimated annualized volatility	N/A	103.17%
Expected life	N/A	1.5 years
Expected dividend yield	N/A	-
Exercise price	N/A	\$ 0.57
Fair Value	N/A	\$ 0.39

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2020	2,900,326	\$ 1.53
Exercised	(1,045,265)	\$ 1.34
<b>Balance, September 30, 2021</b>	<b>1,855,061</b>	<b>\$ 1.63</b>

**Exro Technologies Inc.****Notes to the Condensed Consolidated Interim Financial Statements***(Expressed in Canadian dollars – Unaudited)*

Date of Expiry	Exercise Price	September 30, 2021	December 31, 2020
June 24, 2024	\$ 0.30	-	210,000
February 14, 2021	\$ 0.42	-	7,655
July 10, 2022	\$ 0.70	20,460	42,920
July 10, 2022	\$ 0.90	1,248,751	1,800,251
December 14, 2022	\$ 3.25	585,850	839,500
<b>Total</b>		<b>1,855,061</b>	<b>2,900,326</b>

**FINANCIAL INSTRUMENTS****(f) Fair value**

At September 30, 2021 and December 31, 2020, the carrying values of amounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its cash and investments 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.

The fair value of cash has been determined using Level 1 inputs. The fair value of the investments in private companies moved from a level 3 instrument to a level 2 instrument based on the common share transactions of the underlying company with third parties during the current and prior periods.

**(g) 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, 2021, the Company's exposure to credit risk is the carrying value of cash. The Company reduces its credit risk by holding its cash and cash equivalents with major Canadian and US financial institutions.

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue its plans, the Company intends to raise additional funds through equity or debt financing.

At September 30, 2021 the Company had cash of \$28,112,764, amounts receivable of \$159,632, and accounts payable and accrued liabilities of \$3,543,548. All accounts payable and accrued liabilities are due within 90 days.

In addition to the above, the Company has entered into various agreements related to engineering, procurement, and construction of its manufacturing facility. These contracts can be cancelled by the Company upon notice, without penalty, subject to the costs incurred up to and in respect of the cancellation.

***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 is therefore exposed to exchange rate fluctuations. At September 30, 2021, the Company had the equivalent of CAD \$23,806,068 in net financial

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assets denominated in US dollars, and CAD \$201,758 in net financial liabilities denominated in Euros.

**Interest rate risk**

Interest rate risk consists of two components:

- i.) 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 investments in Series A Preferred Shares of SEA Electric and is therefore exposed to other price risk.

**9. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue the acquisition and development technology. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund 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. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2021. The Company is not subject to externally imposed capital restrictions.

**10. RESEARCH AND DEVELOPMENT**

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Research and development	\$ 898,847	\$ 241,023	\$ 2,330,445	\$ 717,035
Payroll and consulting fees	685,314	-	1,530,799	-
Share-based payments	435,142	-	1,181,236	-
	\$ 2,019,303	\$ 241,023	\$ 5,042,480	\$ 717,035