Condensed Consolidated Interim Financial Statements
For the three and six months ended June 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		June 30, 2023		December 31, 2022
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		$	34,966,644	$	17,443,971
Accounts receivable			338,302		965,084
Prepaid expense			1,913,378		887,885
Inventory	7		2,793,352		2,174,892
			40,011,676		21,471,832
Investment	6		10,543,802		10,800,960
Property, plant, and equipment	8		28,545,835		26,216,425
Derivative asset	10		2,976,350		2,389,562
TOTAL ASSETS		**$**	**82,077,663**	**$**	**60,878,779**
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities		$	3,544,077	$	5,507,335
Unearned revenue	5		1,762,388		1,111,091
Lease liability – current portion	9		1,096,059		1,345,296
			6,402,524		7,963,722
Long-term debt			50,000		50,000
Lease liability – long-term portion	9		6,238,670		5,945,741
Convertible debentures	10		11,812,043		11,502,206
TOTAL LIABILITIES			**24,503,237**		**25,461,669**
SHAREHOLDERS' EQUITY					
Share capital	11		152,537,746		109,544,685
Contributed surplus			26,204,129		26,278,530
Equity component of convertible debentures	10		994,610		994,610
Deficit			(122,000,902)		(100,841,592)
Accumulated other comprehensive loss			(161,157)		(559,123)
TOTAL SHAREHOLDERS' EQUITY			57,574,426		35,417,110
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**82,077,663**	**$**	**60,878,779**

Going concern (note 1)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 10, 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 June 30, 2023	2022	For the six months ended June 30, 2023	2022
Revenue	5	2,443,292 $	142,078	2,768,061	246,338
Cost of Sales		1,291,194 $	94,823	1,548,658	140,423
GROSS PROFIT		**$ 1,152,098 $**	**47,255 $**	**1,219,403 $**	**105,915**
EXPENSES					
Payroll and consulting fees		4,645,443	3,173,773	8,294,939	6,071,033
Research and development	13	3,212,787	2,003,874	5,122,451	4,287,112
Selling, general and administration		3,208,175	3,169,827	4,650,285	5,823,825
Interest expense		675,272	419,223	1,407,549	781,236
Depreciation expense	8	733,150	554,106	1,415,566	976,541
Share-based payments	11	961,538	435,746	1,227,032	1,539,898
Loss on disposal of assets	8	—	66,268	96,844	66,268
TOTAL EXPENSES		**$ (13,436,365) $**	**(9,822,817) $**	**(22,214,666) $**	**(19,545,913)**
Change in fair value of derivative asset		—	—	586,788	—
Foreign exchange gain (loss)		(723,191)	856,717	(795,124)	399,759
Other income (loss)		11,552	24,750	44,289	30,375
NET LOSS		**$ (12,995,906) $**	**(8,894,095) $**	**(21,159,310) $**	**(19,009,864)**
Items that may be subsequently reclassified to earnings:					
Gain (loss) on translation of foreign currency		346,523	154,757	397,966	98,523
OTHER COMPREHENSIVE LOSS		**$ (12,649,383) $**	**(8,739,338) $**	**(20,761,344) $**	**(18,911,341)**
Loss per share - basic and diluted	11	$ (0.08) $	(0.07) $	(0.14) $	(0.14)
Weighted average number of common shares outstanding		158,685,036	133,950,067	154,277,348	132,622,843

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	12,722,450	15,752,820	2,988,212	—	—	—	**18,741,032**
Shares issued on exercise of options	11	297,000	253,457	(109,057)	—	—	—	**144,400**
Shares issued on exercise of warrants	11	473,440	425,807	—	—	—	—	**425,807**
Share-based payments	11	—	—	1,993,729	—	—	—	**1,993,729**
Net Loss		—	—	—	—	(19,009,864)	—	**(19,009,864)**
Other comprehensive loss		—	$ —	$ —	$ —	$ —	$ (98,523)	**(98,523)**
Balance, June 30, 2022		**134,398,164**	**$ 99,277,112**	**$ 20,648,521**	**$ —**	**$ (79,826,544)**	**$ (128,639)**	**$ 39,970,450**
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	32,514,839	—	—	—	—	**32,514,839**
Shares issued for interest		422,533	899,995	—	—	—	—	**899,995**
Shares issued on exercise of options	11	565,210	826,952	(359,885)	—	—	—	**467,067**
Shares issued on exercise of warrants	11	5,280,736	8,751,275	(1,277,808)	—	—	—	**7,473,467**
Share-based payments	11	—	—	1,563,292	—	—	—	**1,563,292**
Net loss		—	—	—	—	(21,159,310)	—	**(21,159,310)**
Other comprehensive loss		—	—	—	—	—	397,966	**397,966**
Balance, June 30, 2023		**168,627,709**	**$ 152,537,746**	**$ 26,204,129**	**$ 994,610**	**$ (122,000,902)**	**$ (161,157)**	**$ 57,574,426**

See accompanying notes to the condensed consolidated interim financial statements

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

	Note	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
OPERATING ACTIVITIES					
Net loss for the period		$ (12,995,906)	$ (8,894,095)	$ (21,159,310)	$ (19,009,864)
Items not involving cash:					
Depreciation	8	766,575	556,785	1,492,465	979,991
Share-based payments	11	1,249,103	637,598	1,563,292	1,993,729
Non-cash interest		605,766	549	1,209,832	1,081
Loss on disposal of assets	8	—	—	96,844	—
Unrealized foreign exchange (gain) loss		222,252	(381,249)	257,158	(187,068)
Change in fair value of derivative asset	10	—	—	(586,788)	—
Changes in non-cash working capital items:					
Accounts receivable		89,821	(156,288)	618,643	(152,626)
Prepaid expenses		(981,021)	(188,351)	(1,035,689)	1,205,512
Accounts payable and accrued liabilities		1,653,536	278,165	(99,256)	79,505
Inventory	7	279,009	(991,802)	(639,186)	(1,316,085)
Unearned revenue	5	(196,147)	754,412	690,564	722,835
Cash used in operating activities		**(9,307,012)**	**(8,384,276)**	**(17,591,431)**	**(15,682,990)**
INVESTING ACTIVITIES					
Purchase of equipment	8	(1,348,180)	(3,080,039)	(3,540,417)	(5,425,179)
Change in non-cash working capital		(402,937)	1,223,161	(1,725,856)	421,071
Cash used in investing activities		**(1,751,117)**	**(1,856,878)**	**(5,266,273)**	**(5,004,108)**
FINANCING ACTIVITIES					
Proceeds from financings	11	34,931,251	—	34,931,251	20,355,920
Share issue costs	11	(2,416,412)	—	(2,416,412)	(1,614,888)
Proceeds from exercise of options	11	235,782	119,400	467,067	144,400
Proceeds from exercise of warrants	11	818,138	322,307	7,473,467	425,807
Principal repayment of lease liability	9	(232,806)	(136,406)	(447,587)	(138,868)
Change in non-cash working capital		178,850	—	(112,423)	(101,376)
Cash provided by financing activities		**33,514,803**	**305,301**	**39,895,363**	**19,070,995**
Impact of foreign currency translation		418,986	(219,044)	485,014	(128,738)
Increase (decrease) in cash and cash equivalents		22,875,660	(10,154,897)	17,522,673	(1,744,841)
Cash and cash equivalents, beginning of the period		12,090,984	23,759,268	17,443,971	15,349,212
Cash and cash equivalents, end of period		**$ 34,966,644**	**$ 13,604,371**	**$ 34,966,644**	**$ 13,604,371**

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.

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.

(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 recognized 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.

(Expressed in Canadian dollars - Unaudited)

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	June 30, 2023	June 30, 2022
Engineering services revenue	2,768,061	246,338
Balance end of period	2,768,061	246,338

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

Unearned revenue

	June 30, 2023	December 31, 2022
Beginning of period	1,111,091	31,809
Recognized revenue during the period	(2,768,061)	(2,185,448)
Additional billed amounts during the period	3,419,358	3,264,730
Balance end of period	1,762,388	1,111,091

The Company has reported $1,762,388 of unearned revenue at June 30, 2023 . This balance is related to contracts that were still in progress as at June 30, 2023.

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 June 30, 2023, the fair value of the Company’s investments in Sea Electric was estimated to be $10,543,802 (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 six months ended June 30, 2023, and any specific information available to a market participant to assess the fair value of the shares. For the three and six months ended June 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 June 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:

	June 30, 2023	December 31, 2022
Raw materials	2,348,793	1,509,809
Work in progress	444,559	665,083
Balance June 30, 2023	2,793,352	2,174,892

(Expressed in Canadian dollars - Unaudited)

Inventory is held at the lower of cost and net realizable value. The Company assesses its inventory valuation each period. For the three and six months ended June 30, 2023 the Company recorded no 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 six months ended June 30, 2023 amounted to $1,291,194 and $1,548,658.

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	820,593	737,989	2,426,840	4,096,474
Transfers	—	—	1,714,615	(1,714,615)	—
Dispositions	—	—	(284,590)	—	(284,590)
Impact of foreign exchange	(76,366)	(45,767)	(38,165)	(54,363)	(214,661)
Balance, June 30, 2023	**$ 7,854,562**	**$ 4,120,039**	**$ 7,543,824**	**$ 13,422,864**	**$ 32,941,289**
Accumulated Depreciation					
Balance, December 31, 2022	$ 1,320,364	$ 698,451	$ 1,108,826	$ —	$ 3,127,641
Depreciation for the period	576,678	356,069	559,718	—	$ 1,492,465
Dispositions	—	—	(187,745)	—	$ (187,745)
Impact of foreign exchange	(16,335)	(11,793)	(8,779)	—	$ (36,907)
Balance, June 30, 2023	$ 1,880,707	$ 1,042,727	$ 1,472,020	$ —	$ 4,395,454
Carrying amounts					
At December 31, 2022	$ 6,499,512	$ 2,646,762	$ 4,305,149	$ 12,765,002	$ 26,216,425
At June 30, 2023	**$ 5,973,855**	**$ 3,077,312**	**$ 6,071,804**	**$ 13,422,864**	**$ 28,545,835**

During the period the Company transferred $1,714,615 from assets under construction to in service assets, of which all of the assets related to furniture and office equipment.

(Expressed in Canadian dollars - Unaudited)

9. LEASE LIABILITY

	June 30, 2023	December 31, 2022
Balance, beginning of period	$ 7,291,037	$ 5,136,743
Additions for the period	556,057	2,526,084
Lease payments	(736,190)	(729,832)
Interest	288,603	358,042
Impact of foreign exchange	(64,778)	—
Balance, end of period	**$ 7,334,729**	**$ 7,291,037**
Consists of:		
Current lease liability	$ 1,096,059	$ 1,345,296
Non-current lease liability	6,238,670	5,945,741
Balance, end of period	**$ 7,334,729**	**$ 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 June 30, 2023 the Company recognized a change in the derivative asset of $586,788, 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	15,000,000	$ 11,502,206
Accretion	—	309,837
Balance at June 30, 2023	**15,000,000**	**$ 11,812,043**

The carrying value approximates the fair value of the convertible debenture as at June 30, 2023.

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.

11. 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 of preferred shares authorized for issue.

(c) Issued and outstanding

At June 30, 2023, the Company had 168,627,709 common shares issued and outstanding.

During the six months ended June 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 $34,931,250.
- Issued 5,280,736 shares on the exercise of warrants for total proceeds of $7,473,467
- Issued 565,210 shares on the exercise of options for total proceeds of $467,067

During the six months ended June 30, 2022, the Company:

- 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 473,440 shares on exercise of warrants for total proceeds of $425,807
- Issued 297,000 shares on exercise of options for total proceeds of $144,400

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.

During the periods ended June 30, 2023 and 2022, the Company recorded share-based payments of $1,563,292 and $1,993,729, respectively. For the period ended June 30, 2023, $336,260 of share-based payment expense was allocated to research and development (2022 - $453,831).

(Expressed in Canadian dollars - Unaudited)

(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:

	June 30, 2023	June 30, 2022
Risk-free interest rate	3.36%	2.50%
Estimated annualized volatility	94.95%	107.28%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Exercise price	$2.20	$1.47
Share price	$2.20	$1.47
Fair value	$1.62	$1.15

The vesting terms for the stock options granted during the period ended June 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

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	1,999,500	2.20
Exercised	(565,210)	0.83
Forfeited	(419,195)	2.86
Balance, June 30, 2023	**10,644,626**	**2.09**

The weighted average share price (at the date of exercise) of options exercised during the period ended June 30, 2023 was $2.40.

The following table summarizes information about the Company's share options outstanding as at June 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	431,666	431,666
August 31, 2025	$	1.00	1,056,050	1,056,050
October 13, 2025	$	3.15	1,608,000	1,608,000
January 13, 2026	$	3.93	331,500	331,500
April 6, 2026	$	4.77	1,010,000	1,010,000
June 28, 2026	$	3.93	330,000	330,000
September 20, 2026	$	2.96	655,000	655,000

(Expressed in Canadian dollars - Unaudited)

November 22, 2026	$	3.75	150,000	150,000
April 12, 2027	$	1.47	598,700	382,800
September 2, 2027	$	1.05	235,210	96,855
November 17, 2027	$	1.44	200,000	200,000
March 10, 2028	$	2.51	388,500	—
May 31, 2028	$	2.12	1,600,000	—
Total			**10,644,626**	**8,301,871**

The Company issued an additional 819,500 options to its employees and officers on July 4, 2023. Of the options granted, 119,500 granted have vesting terms of 20% on the grant date, and 20% vesting annually there after, and the remaining 700,000 options vested immediately.

(e) Warrants

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

	June 30, 2022
Risk-free interest rate	1.44%
Estimated annualized volatility based on comparable companies	110.21%
Expected life	3
Expected dividend yield	0%
Exercise price	$1.60
Fair value	$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%.

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

	Number	**Weighted Average Exercise Price** $
Balance, December 31, 2022	21,803,719	1.85
Exercised	(5,280,736)	1.42
Cancelled/Expired	—	—
Balance, June 30, 2023	**16,522,983**	**$1.98**

(Expressed in Canadian dollars - Unaudited)

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

Date of Expiry	Exercise Price	June 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	3,147,090	7,047,890
September 20, 2026	$1.36	853,757	1,403,757
December 30, 2027	$2.40	6,240,000	6,240,000
Total		**16,522,983**	**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**
Balance, June 30, 2023	**754,375**

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 June 30, 2023:

Date of Expiry	Number of Units Outstanding	Number of Units Exercisable
December 31, 2024	301,750	—
December 31, 2026	452,625	—
Total	754,375	—

(g) Restricted share units

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

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

The Company issued 212,262 to it's 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 is discretion, may settle the award value of vested RSU's in common shares or cash.

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

- 212,262 units vest 33% one month after grant, 33% seven months after grant and the remaining thirteen months after grant

(h) Loss per share

For the period ended June 30, 2023, 8,301,871 options and 16,522,983 warrants were exercisable and excluded from the calculation of diluted loss per share as the impact was anti-dilutive (June 30, 2022 - 7,963,816 options and 8,487,443 warrants were exercisable and excluded from the calculation). An additional 6,250,050 of shares issuable on the conversion of the debentures were excluded from the calculation of diluted loss per share for the period ended June 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 June 30, 2023 and June 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.

The fair value of the investments in private companies represents a level 3 instrument based on the change in observable inputs available as at June 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 June 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 June 30, 2023, the Company had cash of $34,966,644 and accounts payable and accrued liabilities of $3,544,077. As at June 30, 2023, the Company had $16,501 in accounts payable and accrued liabilities over 90 days.

The Company holds debentures, with a face value of $15,000,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of $900,000 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 June 30, 2023, the Company had the equivalent of $11,143,756 of net financial assets denominated in US dollars and $257,891 of net financial liabilities denominated in Euros.

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.

(Expressed in Canadian dollars - Unaudited)

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 June 30,		For the six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Research and development	$ 1,512,899	$ 724,067	$ 1,977,125	$ 1,672,741
Payroll and consulting fees	1,412,323	1,077,955	2,809,066	2,160,540
Share-based payments	287,565	201,852	336,260	453,831
	$ 3,212,787	$ 2,003,874	$ 5,122,451	$ 4,287,112