



**Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2020**

*(Unaudited)*

*(Expressed in Canadian dollars)*

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, continuous disclosure requirement, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these unaudited condensed consolidated Interim financial statements in accordance with standards established by the Chartered Professional Accountants for a review of unaudited condensed interim financial statements by an entity's auditor.

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

<b>As at</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,830,407	\$ 496,636
Amounts receivable (note 4)	54,215	44,579
Prepaid expense	268,117	134,937
Deferred financing cost (note 15 (a))	62,111	-
	2,214,850	676,152
<b>Deposits</b>	13,325	17,336
<b>Investments</b>	-	942
<b>Intangibles (note 5)</b>	3,793	63,049
<b>Property, furniture and equipment (note 6)</b>	304,951	130,620
<b>TOTAL ASSETS</b>	<b>\$ 2,536,919</b>	<b>\$ 888,099</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 7)	\$ 571,409	\$ 214,192
Due to related parties (note 11)	27,435	60,519
Lease liability (note 9)	88,793	36,257
	687,637	310,968
<b>Long Term Debt (note 8)</b>	40,000	-
<b>Lease Liability (note 9)</b>	85,901	3,154
<b>TOTAL LIABILITIES</b>	<b>813,538</b>	<b>314,122</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 12)	28,668,728	24,048,395
Reserves	2,094,368	1,793,846
Deficit	(29,039,715)	(25,268,264)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,723,381</b>	<b>573,977</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,536,919</b>	<b>\$ 888,099</b>

These condensed consolidated Interim financial statements were authorized for issue by the Board of Directors on August XX, 2020. 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		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>EXPENSES</b>				
Advertising and marketing	\$ 50,151	\$ 69,732	\$ 127,020	\$ 121,715
Amortization expense	33,644	13,981	59,020	22,198
Investor relations	86,831	9,401	189,994	32,292
Office and rent	401,296	76,779	482,402	135,518
Payroll and consulting fees (note 11)	872,028	482,386	1,590,605	939,692
Professional fees	138,081	79,304	222,301	118,117
Research and development	300,130	111,217	476,012	266,656
Share based payments	176,630	61,086	321,313	201,559
Regulatory fees	52,939	32,668	84,054	54,628
Travel	6,346	51,199	75,273	111,107
Interest expense	4,287	1,930	6,766	2,842
<b>TOTAL EXPENSES</b>	<b>(2,122,363)</b>	<b>(989,683)</b>	<b>(3,634,760)</b>	<b>(2,006,324)</b>
<b>OTHER INCOME (EXPENSES)</b>				
Interest Income	5,622	-	5,622	-
Foreign exchange losses	(3,971)	(11,182)	(16,756)	(19,238)
Loss on disposition of subsidiary (note 10)	(125,557)	-	(125,557)	-
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>(123,906)</b>	<b>(11,182)</b>	<b>(136,691)</b>	<b>(19,238)</b>
<b>NET AND COMPREHENSIVE LOSS</b>	<b>\$ (2,246,269)</b>	<b>\$ (1,000,865)</b>	<b>\$ (3,771,451)</b>	<b>\$ (2,025,562)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>	<b>83,002,396</b>	<b>62,913,714</b>	<b>79,659,145</b>	<b>59,179,259</b>

*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)*

	Number of outstanding shares	Share capital	Reserves	Deficit	Total shareholders' equity
<b>Balance, December 31, 2018</b>	<b>54,601,594</b>	<b>\$ 20,345,930</b>	<b>\$ 1,146,930</b>	<b>\$ (20,603,233)</b>	<b>\$ 889,627</b>
Private placement, net of issuance cost	8,180,500	1,846,521	55,445		1,901,966
Shares issued on exercise of options	150,000	37,894	(7,894)		30,000
Shares issued on exercise of warrants	31,500	13,755	(7,455)		6,300
Share-based payments			201,559		201,559
Net Loss	-	-	-	(2,025,562)	(2,025,562)
<b>Balance, June 30, 2019</b>	<b>62,963,594</b>	<b>22,244,100</b>	<b>1,388,585</b>	<b>(22,628,795)</b>	<b>1,003,890</b>
Private placement, net of issuance cost	6,723,110	1,728,976	18,664		1,747,640
Shares issued on exercise of options	150,000	67,311	(37,311)		30,000
Shares issued on exercise of warrants	40,040	8,008	-		8,008
Share-based payments			423,908		423,908
Net Loss				(2,639,469)	(2,639,469)
<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>573,977</b>
Private placement, net of issuance cost	12,572,045	3,946,893	174,359		4,121,252
Shares issued on exercise of warrants	959,940	471,421	(120,631)		350,790
Shares issued on exercise of options	427,500	202,019	(74,519)		127,500
Share-based payments			321,313		321,313
Net Loss	-	-	-	(3,771,451)	(3,771,451)
<b>Balance, June 30, 2020</b>	<b>83,836,229</b>	<b>\$ 28,668,728</b>	<b>\$ 2,094,368</b>	<b>\$ (29,039,715)</b>	<b>\$ 1,723,381</b>

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**Exro Technologies Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the six months ended June 30, 2020 and 2019**  
*(Expressed in Canadian dollars - Unaudited)*

For the six months ended June 30	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (3,771,451)	\$ (2,025,562)
Items not involving cash:		
Amortization	59,020	22,198
Share-based payments	321,313	201,559
Loss on sale of subsidiary	125,557	-
	(3,265,561)	(1,801,805)
Net changes in non-cash working capital items:		
Amounts receivable	(37,662)	(18,079)
Prepaid expenses	(133,180)	11,733
Amounts payable and accrued liabilities	296,968	52,455
Deposits	4,011	(5,750)
Due to related parties	(33,084)	(41,635)
<b>Cash used in operating activities</b>	<b>(3,168,508)</b>	<b>(1,803,081)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of patents	-	(6,086)
Net cash on disposal of subsidiary (note 10)	(39,195)	-
Purchase of equipment	(47,709)	(2,509)
<b>Cash used in investing activities</b>	<b>(86,904)</b>	<b>(8,595)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement (note 12)	4,476,703	2,045,125
Share issue cost	(355,451)	(143,159)
Proceeds from exercise of options	127,500	30,000
Proceeds from exercise of warrants	350,790	6,300
Proceeds from long term debt	40,000	-
Principal repayments of capital lease liability	(50,359)	(17,434)
<b>Cash provided by financing activities</b>	<b>4,589,183</b>	<b>1,920,832</b>
Change in cash	1,333,771	109,156
Cash, beginning of the period	496,636	751,928
<b>Cash, end of the period</b>	<b>\$ 1,830,407</b>	<b>\$ 861,084</b>

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

## **1 NATURE OF OPERATIONS**

BioDE Ventures Ltd. ("BioDE") was incorporated under the British Columbia Business Corporations Act on February 11, 2014. On July 26, 2017, BioDE and its wholly owned subsidiary 10889001 BC Ltd. ("10889001") completed a transaction with Exro Technologies Inc. ("Exro" or the "Company") whereby, pursuant to an amalgamation agreement (the "Amalgamation Agreement"), 10889001 amalgamated with Exro and became the legal subsidiary of BioDE. The transaction was accounted for as an acquisition of BioDE by Exro. On completion of the transaction, BioDE changed its name to Exro Technologies Inc.

The Company's shares are listed on the Canadian Securities Exchange and trades under the symbol "XRO".

The Company's head office is located at 12-21 Highfield Circle S.E., Calgary, Alberta, T2G 5N6, relocated from 2820-200 Granville Street, Vancouver, British Columbia, V6C 1S4. These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Corporation is working towards commercializing its patented coil driver technology and proprietary system architecture for rotating electrical machines.

## **2 BASIS OF PREPARATION**

### **(a) Statement of compliance**

These condensed consolidated Interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". 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, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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, 2019.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, DPM Technologies 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. In addition, these condensed consolidated Interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **(c) Going concern of operation**

These condensed consolidated Interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company's ability to continue as a going concern and realize the carrying value of its assets is dependent on its ability to raise capital through equity and debt financing, the outcome of which cannot be predicted at this time. These matters indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated Interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## **2 BASIS OF PREPARATION (CONTINUED)**

### **(d) 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 statement for the fiscal year ended December 31, 2019.

### **(b) Estimates and judgments**

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### *Critical accounting estimates*

- i. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.
- ii. Equipment and intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets. The carrying amount of nil for intangible does not necessarily reflect present or future value and the ultimate amount recoverable will be dependent upon the successful commercialization of products based on these underlying technologies.
- iii. The inputs used in valuing share-based payments.

#### *Critical accounting judgments*

- i. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.



### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Significant accounting estimates and judgments (continued)

##### *Critical accounting judgments (continued)*

- ii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iii. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.
- iv. Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

### 4 AMOUNTS RECEIVABLE

	June 30, 2020	December 31, 2019
GST and other sales tax receivable	\$ 54,215	\$ 44,579

### 5 INTANGIBLE ASSETS

	June 30, 2020	December 31, 2019
<b>Cost</b>		
Patents and intellectual property		
Balance December 31, 2019	\$ 63,049	\$ 63,049
Disposition of subsidiary's intellectual property	(59,256)	-
Balance June 30, 2020	\$ 3,793	\$ 63,049

The technology is in development and not ready for its intended use. Therefore, no amortization has been recorded.

**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2020**  
*(Expressed in Canadian dollars - Unaudited)*

**6 PROPERTY, FURNITURE AND EQUIPMENT**

	Right-of-Use Asset	Research and Development Equipment	Furniture and Office Equipment	Total
<b>Cost</b>				
Balance, December 31, 2019	\$ 71,119	\$ 101,985	\$ 26,905	\$ 200,009
Additions	185,641	-	47,709	233,350
Balance, June 30, 2020	256,760	\$ 101,985	\$ 74,614	\$ 433,359
<b>Accumulated amortization</b>				
Balance, December 31, 2019	29,633	\$ 31,562	\$ 8,194	\$ 69,389
Amortization for the period	47,722	7,042	4,256	59,020
Balance, June 30, 2020	\$ 77,355	\$ 38,604	\$ 12,450	\$ 128,409
<b>Carrying amounts</b>				
At December 31, 2019	\$ 41,486	\$ 70,423	\$ 18,711	\$ 130,620
<b>At June 30, 2020</b>	<b>\$ 179,405</b>	<b>\$ 63,381</b>	<b>\$ 62,165</b>	<b>\$ 304,951</b>

The Company's right-of-use asset relates to the lease of office space.

On adoption of IFRS 16, the Company did not recognize any lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases as the company used one of the exemptions permitted under the standard. During the period ended June 30, 2020 the Company entered into a new lease agreement for its Calgary Innovation Centre which meets the definition of a lease under IFRS 16. The liability has measured at the present value of the lease payments, discounted using the lessee's incremental borrowing rate as of the date of the agreement. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

**7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2020	December 31, 2019
Accounts payable	\$ 476,518	\$ 131,107
Accrued liabilities	94,891	50,238
	<b>\$ 571,409</b>	<b>\$ 181,345</b>

**8. LONG TERM DEBT**

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.

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

	<b>June 30, 2020</b>
Balance December 31, 2019	\$ 39,411
Additions for the period	185,641
Deduct:	
Lease payments	(56,050)
Add:	
Interest	5,692
Balance, June 30, 2020	174,694
Which consist of:	
Current lease liability	88,793
Non-current lease liability	85,901
	<b>\$ 174,694</b>

On February 1, 2020, the Company entered into a new lease agreement for its Calgary Innovation Centre premise for two and a half years expiring August 30, 2022. Pursuant to this lease agreement, the Company is obligated to pay basic monthly rent of \$6,000 for the first 7 months, \$6,500 for the following 12 months and \$7,000 for the remaining 12 months. The Company is responsible for operating costs including electricity and related taxes. No renewable condition was set forth for additional successive terms.

**10. DISPOSITION OF EXRO EUROPE AS**

On June 21, 2020 the Company sold 100% of Exro Europe AS for total proceeds of \$52,745. The cash proceeds received, offset by the net assets on the date of disposition of \$141,647 resulted in a loss of \$125,557.

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 21,</b>	<b>June 21,</b>	<b>June 21,</b>	<b>June 30,</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
<b>EXPENSES</b>				
Research and development	\$	\$ 65,769	\$ -	\$ 161,695
Professional fees	573	5,076	4,957	6,145
Office	16	24	39	48
Foreign exchange	(11,341)	703	(1,889)	(464)
	<b>\$ (10,752)</b>	<b>\$ 3,107</b>	<b>\$ 3,107</b>	<b>\$ 167,424</b>

## 11 RELATED PARTY TRANSACTIONS

### Key management compensation

Key management consists of the Officers and Directors who are responsible for planning, directing and controlling the activities of the Company. For the six months ended June 30, 2020 and 2019, the following expenses were incurred to the Company's key management:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Management and consulting fees	\$ 331,779	\$ 194,645	\$ 663,558	\$ 342,652
Share based compensation	54,566	48,415	106,922	114,600
	<b>\$ 386,345</b>	<b>\$ 243,060</b>	<b>\$ 770,480</b>	<b>\$ 457,252</b>

All due to related party payables consist of amounts resulting from unpaid fees and expense reimbursements and are unsecured, non-interest bearing, and due on demand.

## 12 SHARE CAPITAL

### (a) Authorized common shares

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

### (b) Issued

At June 30, 2020, the Company had 83,836,229 common shares issued and outstanding (December 31, 2019 – 69,876,744).

During the six months ended June 30, 2020, the Company:

- On February 14, 2020 the Company completed the first tranche of a non-brokered private placement of 10,030,648 shares at a price of \$0.35 per share for proceeds of \$3,510,727.
- On February 27, 2020 the Company completed the second tranche of a non-brokered private placement of 2,253,897 shares at a price of \$0.35 per share for proceeds of \$788,863.
- On June 23 the completed a non-brokered private placement of 287,500 shares at a price of \$0.40 per share for total proceeds of \$115,000
- Paid Finder's fee consisting of \$289,961 cash and has issued 828,463 compensation warrants. Each Compensation Warrant is exercisable to acquire one common share for a period of 12 months from the closing at an exercise price of \$0.42 per share.
- Issued 427,500 shares on exercise of options for total proceeds of \$127,500.
- Issued 959,940 shares on exercise of warrants for total proceeds of \$350,790.

### (c) 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 applicable stock exchange's 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.

**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2020**  
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**12 SHARE CAPITAL (CONTINUED)**

**(c) Stock options (continued)**

During the six months ended June 30, 2020 and 2019, the Company recorded share-based payments of \$321,313 and \$198,733, respectively related to 735,000 (2019 – nil) options granted. The expense recognized during these periods is as 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:

	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.78%	N/A
Estimated annualized volatility based on comparable companies	101.03%	N/A
Expected life	4.98 years	N/A
Expected dividend yield	0%	N/A
Exercise price	\$ 0.38	N/A
Fair value	\$ 0.26	N/A
Share price	\$ 0.25	N/A

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

	<b>Number</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance, December 31, 2019</b>	<b>9,056,317</b>	<b>0.27</b>
Granted	735,000	0.38
Exercised	(427,500)	(0.30)
Expired/cancelled	(231,317)	(0.34)
<b>Balance, June 30, 2020</b>	<b>9,132,500</b>	<b>0.27</b>

<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>
August 22, 2022	\$0.20	2,997,500	3,121,443
August 31, 2022	\$0.26	300,000	150,000
October 26, 2022	\$0.28	300,000	231,000
April 16, 2019	\$0.27	50,000	27,778
July 18, 2023	\$0.29	300,000	165,000
November 8, 2023	\$0.41	1,475,000	1,107,604
September 13, 2024	\$0.25	3,075,000	958,333
March 9, 2025	\$0.38	635,000	-
<b>Balance, June 30, 2020</b>		<b>9,132,500</b>	<b>5,761,158</b>

As of June 30, 2020, the weighted average remaining life for outstanding options was 3.5 years.

**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the six months ended June 30, 2020**  
*(Expressed in Canadian dollars - Unaudited)*

**12 SHARE CAPITAL (CONTINUED)**

**(d) Warrants**

During the six months ended June 30, 2020 and 2019, the Company recorded share-based payments of \$nil and \$2,826 respectively, related to nil and 600,000 warrants issued. The fair values of share options granted during the six months ended June 30, 2020 and 2019 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>2020</b>	<b>2019</b>
Risk-free interest rate	N/A	1.51%
Estimated annualized volatility based on comparable companies	N/A	110%
Expected life	N/A	3.2 years
Expected dividend yield	N/A	0%
Exercise price	N/A	\$ 0.31
Fair value	N/A	\$ 0.14
Share price	N/A	\$ 0.30

	<b>Number</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance, December 31, 2019</b>	715,000	0.31
Exercised	(65,000)	(0.25)
<b>Balance, June 30, 2020</b>	650,000	0.32

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Warrants</b>	
		<b>June 30, 2020</b>	<b>December 31, 2019</b>
March 20, 2020	\$0.25	-	65,000
August 28, 2021	\$0.40	50,000	50,000
October 10, 2020	\$0.37	100,000	100,000
June 21, 2024	\$0.30	500,000	500,000
<b>Total</b>		650,000	715,000

**(e) Brokers' warrants**

During the six months ended June 30, 2020 and 2019, the Company recorded share-based payments of \$174,359 and \$55,445, respectively related to 828,463 (2019 – 572,635) warrants issued. The fair values of share options granted during the six months ended June 30, 2020 and 2019 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>2020</b>	<b>2019</b>
Risk-free interest rate	1.37%	1.51%
Estimated annualized volatility based on comparable companies	96.57%	110%
Expected life	1 year	1 years
Expected dividend yield	0%	0%
Exercise price	\$0.42	\$ 0.35
Fair value	\$0.21	\$ 0.14
Share price	\$0.49	\$ 0.30

## 12 SHARE CAPITAL (CONTINUED)

### (e) Brokers' warrants (continued)

	Number	Weighted Average Exercise Price
		\$
<b>Balance, December 31, 2019</b>	<b>823,003</b>	<b>0.37</b>
Issued	828,463	0.42
Exercised	(894,490)	(0.38)
Expired	(46,175)	(0.35)
<b>Balance, June 30, 2020</b>	<b>710,801</b>	<b>0.42</b>

Expiry Date	Exercise Price	Number of Warrants	
		June 30, 2020	December 31, 2019
March 22, 2020	\$0.35	-	572,635
October 21, 2020	\$0.40	90,663	230,768
October 30, 2020	\$0.40	19,600	19,600
February 14, 2021	\$0.42	471,762	-
February 27, 2021	\$0.42	128,746	-
<b>Balance, June 30, 2019</b>		<b>710,801</b>	<b>823,003</b>

### (f) Shares in escrow

During the year ended December 31, 2017, the Company entered into an escrow agreement with certain insiders and shareholders. Pursuant to the escrow agreement, 7,576,556 common shares were to be held in escrow, of which 10% were released on August 29, 2017, which was the date the common shares of the Company were listed and posted for trading on the exchange, and 15% will be released every six months thereafter to August 29, 2020. As at June 30, 2020, 1,136,483 common shares remain held in escrow.

## 13 FINANCIAL INSTRUMENTS

The Company has designated its cash as fair value through profit or loss, finders' fees receivable as loans and receivables and accounts payable and accrued liabilities, related party payable and notes payable as other financial liabilities.

### (a) Fair value

At June 30, 2020 and December 31, 2019, 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 six 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 has been determined using cost which is a level 3 input.

### 13 FINANCIAL INSTRUMENTS (CONTINUED)

#### (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, 2020, the Company's exposure to credit risk is the carrying value of cash. The Company reduces its credit risk by holding its cash at a major Canadian financial institution.

##### ***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 these plans, the Company intends to raise additional funds through equity or debt financing.

June 30, 2020, the Company had cash of \$1,830,407, accounts payable and accrued liabilities of 494,824 and related party payable of \$27,435. All accounts payable and accrued liabilities are due within 90 days. The Company assesses the liquidity risk as low.

##### ***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 June 30, 2020, the value of the Company's financial assets denominated in US dollars is not significant.

##### ***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 is not exposed to other price risk.



#### **14. 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 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 six months ended June 30, 2020. The Company is not subject to externally imposed capital restrictions.

#### **15 SUBSEQUENT EVENTS**

- a) Subsequent to June 30, 2020 the company completed a short form prospectus offering of 11,428,571 units at a price of \$0.70 per unit for gross proceeds of \$8,000,000. Each unit consisting of one common share and one-half share purchase warrant. Each whole warrant is exercisable into one common shares at a price of \$0.90 for a period of 24 months from the date of issuance. In connection with the share offering, the Corporation incurred share issuance costs of \$640,000 commission paid in cash, incurred legal fees of \$62,111 in connection to the offering, issued 571,428 common shares, and 914,285 broker warrants exercisable at \$0.70 per common share for a period of 24 months from the date of issuance.
- b) Subsequent to June 30, 2020, the Company issued 610,262 shares on exercise of warrants for total proceeds of \$422,599.
- c) The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activities. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.