

# **EXRO TECHNOLOGIES INC.**

**Consolidated Financial Statements**  
**For the years ended December 31, 2017 and 2016**

*(Expressed in Canadian dollars)*



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Exro Technologies Inc.

We have audited the accompanying financial statements of Exro Technologies Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive loss, shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Exro Technologies Inc. as at December 31, 2017 and 2016 its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Exro Technologies Inc.'s ability continue as a going concern.

A handwritten signature in black ink that reads 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
April 30, 2018

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian dollars)*

As at	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,426,191	\$ 80,280
Amounts receivable (note 4)	47,389	31,082
Prepaid expense	276,002	-
	1,749,582	111,362
<b>Deposits</b>	11,586	-
<b>Equipment (note 5)</b>	28,887	-
<b>TOTAL ASSETS</b>	<b>\$ 1,790,055</b>	<b>\$ 111,362</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 6)	\$ 74,272	\$ 739,334
Due to related parties (note 7)	100,452	823,316
Promissory notes payable (note 8)	-	235,000
<b>TOTAL LIABILITIES</b>	174,724	1,797,650
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 9)	18,399,540	12,824,557
Reserves	691,679	9,360
Deficit	(17,475,888)	(14,520,205)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	1,615,331	(1,686,288)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>\$ 1,790,055</b>	<b>\$ 111,362</b>

**Amalgamation agreement** (note 13)

**Commitments** (note 14)

**Subsequent events** (note 15)

These Consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018. They are signed on the Company's behalf by:

"Mark Godsy"

Director

"Jill Bodkin"

Director

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

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Consolidated Statements of Comprehensive Loss**  
**For the years ended December 31, 2017 and 2016**  
*(Expressed in Canadian dollars)*

	<b>2017</b>	<b>2016</b>
<b>EXPENSES</b>		
Advertising and marketing	\$ 249,484	\$ 2,936
Amortization expense (note 5)	3,210	-
Investor relations	21,570	-
Office and rent	71,562	11,948
Payroll and consulting fees (note 7)	856,238	474,312
Professional fees	276,778	101,592
Research and development	62,251	-
Share-based payments (note 9)	575,743	-
Regulatory fees	24,266	-
Travel and entertainment	68,123	9,881
<b>TOTAL EXPENSES</b>	<b>(2,209,225)</b>	<b>(600,669)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Listing expense (note 13)	(754,837)	-
Foreign exchange gain (loss)	(1,047)	497
Finance cost	-	(22,942)
Interest income	5,826	-
Gain on forgiveness of loan payable	-	35,989
Government grants	3,600	-
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>(746,458)</b>	<b>13,544</b>
<b>NET AND COMPREHENSIVE LOSS</b>	<b>\$ (2,955,683)</b>	<b>\$ (587,125)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.10)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>29,312,363</b>	<b>16,371,018</b>

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

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Consolidated Statement of Shareholders' Equity**  
*(Expressed in Canadian dollars)*

	Number of outstanding shares	Share capital	Reserves	Deficit	Total shareholders' equity (deficiency)
<b>Balance, December 31, 2015</b>	<b>16,360,071</b>	<b>\$ 12,764,645</b>	<b>\$ 9,360</b>	<b>\$ (13,933,080)</b>	<b>\$ (1,159,075)</b>
Private placement (note 9)	105,140	14,000	-	-	14,000
Shares issued for consulting fees	262,853	40,400	-	-	40,400
Shares issued for debt	41,399	5,512	-	-	5,512
Net Loss	-	-	-	(587,125)	(587,125)
<b>Balance, December 31, 2016</b>	<b>16,769,463</b>	<b>12,824,557</b>	<b>9,360</b>	<b>(14,520,205)</b>	<b>(1,686,288)</b>
Shares issued pursuant to subscription receipts received (note 9)	11,915,000	2,148,305	80,400	-	2,228,705
Shares issued for debt (note 9)	732,075	146,415	-	-	146,415
Shares issued for debt (note 9)	6,629,239	1,325,848	-	-	1,325,848
Fair value of common shares held by BioDE shareholders prior to Amalgamation (note 9 and 13)	3,809,092	761,819	-	-	761,819
Fair value of shares issued on conversion of BioDE special warrants, net (note 9 and 13)	2,334,875	466,975	-	-	466,975
Shares issued for debt (note 9)	901,100	180,220	-	-	180,220
Fair value of broker warrants of BioDE (note 13)	-	-	8,000	-	8,000
Private placement, net of issuance costs (note 9)	3,000,000	538,177	20,500	-	558,677
Shares issued on exercise of warrants	24,500	7,224	(2,324)	-	4,900
Share-based payments (note 9)	-	-	575,743	-	575,743
Net Loss	-	-	-	(2,955,683)	(2,955,683)
<b>Balance, December 31, 2017</b>	<b>46,115,344</b>	<b>\$ 18,399,540</b>	<b>\$ 691,679</b>	<b>\$ (17,475,888)</b>	<b>\$ 1,615,331</b>

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

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2017 and 2016**  
*(Expressed in Canadian dollars)*

	<b>2017</b>	<b>2016</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (2,955,683)	\$ (587,125)
Interest paid	-	(30,362)
Items not involving cash:		
Accrued interest	-	22,942
Amortization	3,210	-
Non-cash portion of listing expense	713,242	-
Share-based payments	575,743	-
Gain on forgiveness of loan payable	-	(35,989)
Shares issued for consulting fees	-	40,400
Accrued consulting and management fees	-	285,590
	<b>(1,663,488)</b>	<b>(304,544)</b>
Net changes in non-cash working capital items:		
Amounts receivable	(10,781)	126,213
Prepaid expenses	(263,509)	-
Accounts payable and accrued liabilities	77,149	64,299
Due to related parties	163,245	(13,493)
<b>Cash used in operating activities</b>	<b>(1,697,384)</b>	<b>(127,525)</b>
<b>INVESTING ACTIVITIES</b>		
Deposits	(11,586)	-
Purchase of equipment	(31,401)	-
<b>Cash used in investing activities</b>	<b>(42,987)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of loan	-	-
Amount due from related parties	-	14,000
Proceeds from subscription receipts	2,383,000	-
Proceeds from warrants	4,900	-
Proceeds from private placement	600,000	-
Share issue costs	(195,618)	-
Advance from BioDE pre-acquisition	294,000	235,000
Proceeds from promissory notes payable	-	(107,028)
<b>Cash provided by financing activities</b>	<b>3,086,282</b>	<b>141,972</b>
Change in cash	1,345,911	14,447
Cash, beginning of the year	80,280	65,833
<b>Cash, end of the year</b>	<b>\$ 1,426,191</b>	<b>\$ 80,280</b>

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

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2017**  
*(Expressed in Canadian dollars)*

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**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 (Note 13). The transaction was accounted for as an acquisition of BioDE by Exro and therefore these financial statements include the historical financial information of Exro up to the completion of the transaction on July 26, 2017. 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 2820-200 Granville Street, Vancouver, British Columbia, V6C 1S4.

The Corporation is working towards commercializing its patented Dynamic Power Management ("DPM") technology and proprietary system architecture for rotating electrical machines.

**2 BASIS OF PREPARATION**

**(a) Statement of compliance**

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements of the Company for the year ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2018.

**(b) Basis of preparation**

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, DPM Technologies Inc. (formerly 1089001 B.C. Ltd.) from the date of acquisition July 26, 2017. All inter-company balances and transactions have been eliminated on consolidation.

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) Going concern**

These consolidated 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

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

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

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 consolidated 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.

### **(d) Significant accounting estimates and judgments**

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

#### ***Critical Judgments***

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- 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.
- 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. The Company determined that the Amalgamation Agreement entered into between BioDE, its wholly owned subsidiary, 10889001, and Exro constituted a reverse takeover whereby Exro is reflected as the accounting acquirer and BioDE as the accounting acquiree.
- v. Management has evaluated that BioDE did not meet the definition of a business as defined by IFRS 3 as it did not have the inputs and processes necessary to produce outputs. Consequently, the Amalgamation was accounted as an acquisition of BioDE's net assets and reporting issuer status by the issuance of shares of Exro to BioDE's shareholders.
- vi. 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.

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

### ***Estimation Uncertainty***

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

- ii. Management uses the Black-Scholes Option Pricing Model for valuation of share based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's results of operations and equity reserves.
- iii. 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.
- iv. 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 intangible 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. The Company has not recorded a value for its intangible asset as this value cannot be reliably measured.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies:

### **(a) Foreign currency translation**

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which they operate. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Transactions in other than an entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions.

### **(b) Share-based payments**

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Share-based payments (continued)**

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included in the reserves account is transferred to share capital on exercise of options. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value as determined by the quoted bid price of the common shares and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital. Charges for options or warrants that are cancelled or expire are reclassified from contributed surplus to deficit.

**(c) Equipment**

Equipment is recorded at cost and amortized at a rate 20% declining balance.

**(d) Income taxes**

Deferred income tax is recognized using the liability method on temporary differences arising between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets are recognized only to the extent that it is probable that future profit will be available against which such assets can be utilized.

**(e) Loss per share**

Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all in the money options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. In periods of loss basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants is anti-dilutive.

**(f) Financial instruments**

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(f) Financial instruments (continued)**

##### Available-For-Sale Financial Assets

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss. Available-for-sale financial assets that do not have a quoted price in an active market, and are not reliably measurable, are initially recognized at cost. If there is objective evidence that an impairment loss has been incurred the amount or the impairment loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows.

##### Held-For-Trading Financial Assets

Financial assets held-for-trading are designated upon initial recognition as at fair value through profit or loss. Financial assets held-for-trading are classified as fair value through profit and loss if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets held-for-trading includes derivative financial instruments acquired or entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39, Financial Instruments: Recognition and Measurement. Included in this class are investments in marketable securities of other public companies. Related realized and unrealized gains and losses are included in profit or loss.

##### Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### Financial Liabilities

Financial liabilities are classified as either fair value through profit or loss or other financial liabilities, based on the purpose for which the liability was incurred, and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument. Other financial liabilities comprise trade payables and accrued liabilities and are subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The following accounting standards are issued but not yet effective. The Company has not early-adopted these revised standards and expects no significant effect on the Company's consolidated financial statements when adopted.

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2017**  
*(Expressed in Canadian dollars)*

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Accounting standards issued but not yet effective**

The following accounting standards are issued but not yet effective. The Company has not early-adopted these revised standards and expects no significant effect on the Company's consolidated financial statements when adopted.

IFRS 9 Financial Instruments

IFRS 9 includes requirements for recognition, measurement, and derecognition of financial instruments and hedge accounting. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 is applicable to annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

**4 AMOUNTS RECEIVABLE**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
GST receivable	\$ 47,389	\$ 31,082

**5 EQUIPMENT**

	Research and Development Equipment	Furniture and Office Equipment		
<b>Cost</b>				
Balance, December 31, 2016	\$ -	\$ -	\$ -	-
Additions	20,877	11,220		32,097
Balance, December 31, 2017	20,877	11,220	\$	32,097
<b>Accumulated amortization</b>				
Balance, December 31, 2016	-	-	\$	-
Amortization for the year	2,088	1,122		3,210
Balance, December 31, 2017	2,088	1,122	\$	3,210
<b>Carrying amounts</b>				
At December 31, 2016	-	-	\$	-
<b>At December 31, 2017</b>	<b>\$ 18,789</b>	<b>\$ 10,098</b>	<b>\$</b>	<b>28,887</b>

**Exro Technologies Inc. (formerly BioDE Ventures Ltd.)**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2017**  
*(Expressed in Canadian dollars)*

**6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
Accounts payable	\$	37,620	\$	703,334
Accrued liabilities		36,652		36,000
	\$	74,272	\$	739,334

**7 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 years ended December 31, 2017 and 2016, the following expenses were incurred to the Company's key management:

	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
Management and consulting fees	\$	425,025	\$	285,590
Share based compensation		163,962		-
	\$	588,987	\$	285,590

As at December 31, 2017, the Company was indebted to the CEO of the Company for management services in the amount of \$31,978 (2016 – \$495,924). During the year ended December 31, 2017, the CEO settled \$480,314 of past debt with the issuance of common shares. During the year ended December 31, 2017, the company incurred \$130,000 consulting expense from a company controlled by the CEO. This expense is included in the payroll and consulting fees expense on the Statement of Comprehensive Loss.

As at December 31, 2017, the Company was indebted to a company controlled by the Company's founder, director and former Chief Technology Officer, for consulting services provided in the amount of \$16,800 (2016 - \$311,288). During the year ended December 31, 2017, this company settled \$239,047 of past debt with the issuance of common shares. During the year ended December 31, 2017, the Company incurred \$92,000 in consulting expense to this company.

As at December 31, 2017, the Company was indebted to a company controlled by an individual that acted as CFO of the Company during 2017, in the amount of \$1,823. The Company incurred \$42,473 consulting expense from the company during the duration this individual was an officer. This expense is included in the payroll and consulting fees expense on the Statements of Comprehensive Loss.

As at December 31, 2017, the Company was indebted to a company controlled by the CTO of the Company, for services provided and expense reimbursements in the amount of \$17,997 (2016 - \$nil). The company incurred \$112,552 consulting expense from this company since the individual's appointment as an officer. This expense is included in the payroll and consulting fees expense on the Statement of Comprehensive Loss.

As at December 31, 2017, the Company was indebted to a company controlled by the spouse of the CFO of the Company, for services provided and expense reimbursements in the amount of \$5,250 (2016 - \$nil). The company incurred \$16,000 in consulting expense from this company since the CFO's appointment as an officer. This expense is included in the payroll and consulting fees expense on the Statement of Comprehensive Loss.

As at December 31, 2017, the Company was indebted to a company controlled by a director of the Company, for consulting services provided in the amount of \$10,500 (2016 - \$nil). During the year ended December 31, 2017, this company settled \$7,175 of past debt with the issuance of common shares. The company incurred \$20,000 consulting expense from this company since the individual's appointment as a director. This expense is included in the payroll and consulting fees expense on the Statement of Comprehensive Loss.

During the year ended December 31, 2017 a Director, settled \$21,840 of debt with the issuance of shares.

## **7 RELATED PARTY TRANSACTIONS (CONTINUED)**

### **Key management compensation (continued)**

As at December 31, 2017, the Company was indebted to a former director of the Company, for past director services provided in the amount of \$nil (2016 - \$26,250). During the year ended December 31, 2017, the director settled \$26,250 of past debt with the issuance of common shares.

As at December 31, 2017, the Company was indebted to a company controlled by a former director of the Company in the amount of \$16,104 (2016 - \$16,104).

All due to related party payable amounts are unsecured, non-interest bearing, and due on demand.

## **8 PROMISSORY NOTE PAYABLE**

During the year ended December 31, 2017, the Company entered into promissory notes with BioDE and borrowed a total of \$294,000 (2016 - \$235,000) for a cumulative balance of \$529,000. The loan was unsecured, non-interest bearing and due on either the closing of the amalgamation arrangement

On completion of the amalgamation, the balance of the loan was eliminated (note 13).

## **9 SHARE CAPITAL**

### **(a) Authorized common shares**

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

Pursuant to the amalgamation transaction on July 26, 2017, the Company consolidated its issued and outstanding common shares, stock options and outstanding warrants using an effective exchange ratio of 1 pre-amalgamation common shares, options and warrants to 0.525706 post amalgamation shares, options and warrants.

As a result of the share consolidations, the number of common shares, options and warrants presented in these financial statements, and the exercise price for each option and warrant, and the calculated weighted average number of common shares issued and outstanding for the purpose of loss per share calculations are based on the post-consolidation shares for all years presented.

### **(b) Issued**

At December 31, 2017, the Company had 46,115,344 common shares issued and outstanding (December 31, 2016 – 16,769,463).

During the year ended December 31, 2017, the following share capital transactions occurred:

- On April 10, 2017, the Company completed a private placement of 11,915,000 subscription receipts at a price of \$0.20 per subscription receipt for the proceeds of \$2,383,000. Each subscription receipt entitles the holder to receive, without payment of any additional consideration or need for further action, one common share (“Share”) of the Company. Finder’s fees of \$154,295 and brokers warrants were issued with an exercise price of \$0.20 per share and a two-year expiry. The fair value of the broker warrants was estimated to be \$80,400. The shares were issued as of the date of amalgamation (note 13).
- On April 27, 2017, the Company issued 732,075 common shares at a rate of \$0.20 per share to settle debts totaling \$146,415.
- On July 26, 2017, the Company issued 6,629,239 common shares at a rate of \$0.20 per share to settle debts totaling \$1,325,848;
- On July 26, 2017, the Company issued 3,809,092 common shares to shareholders who held common shares of BioDE pre-amalgamation (note 13);

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**9 SHARE CAPITAL (CONTINUED)**

**(a) Issued (continued)**

- On July 26, 2017, the Company issued 2,334,875 common shares to the holders of special warrants that were issued by BioDE for cash received pre-amalgamation (note 13); and
- On August 16, 2017, the Company issued 901,100 common shares at a price of \$0.20 per share to settle debt totalling \$180,220;
- On August 29, 2017 the Company completed a private placement and issued 3,000,000 common shares at a price of \$0.20 per common share for gross proceeds of \$600,000. The Company paid finders fees of \$41,323 and issued 196,630 brokers warrants related to the Private Placement. Each brokers' warrant entitles the holder to purchase one common share at \$0.20 for a period of two years from the issuance date. The brokers' warrants had a fair value of \$20,500 and are subject to a hold period expiring four months plus one day following the date of issuance; and
- On December 18, 2017 24,500 warrants were exercised for total proceeds of \$4,900 an amount of \$2,324 for warrant reserve related to these warrants was transferred to share capital.

During the year ended December 31, 2016, the following share capital transactions occurred:

- On August 23, 2016, the Company issued 105,140 shares for proceeds of \$14,000;
- On September 30, 2016, the Company issued 262,853 shares to management and consultants for consulting fees with a fair value of \$40,400; and
- In December 2016, the Company issued 41,399 shares to a consultant to settle outstanding debt. The fair value of these shares was \$5,512.

**(b) 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.

On December 15, 2015, BioDE adopted a stock option plan (the "Stock Option Plan") which was assumed by the Company upon Amalgamation. The Stock Option Plan provided for the granting of options to employees, officers, directors, consultants and scientific advisory board members. The Stock Option Plan was subsequently amended on September 20, 2017 to a fixed plan from a 10% rolling plan (the "Amended and Restated Stock Option Plan").

The maximum number of common shares issuable under the Amended and Restated Stock Option Plan is fixed at 8,400,000 common shares. Under the Amended and Restated Stock 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 Stock Option Plan is 10% of the issued and outstanding common shares at the date of grant.

During the year-ended December 31, 2017 and 2016, the Company recorded share-based payments of \$575,743 and \$nil, respectively. The fair values of share options granted during the year-ended December 31, 2017 were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>2017</b>	<b>2016</b>
Risk-free interest rate	1.49%	nil
Estimated annualized volatility based on comparable companies	108%	nil
Expected life	4.87 years	nil
Expected dividend yield	0%	nil
Exercise price	\$ 0.20	nil
Fair value	\$ 0.17	nil
Share price	\$ 0.22	nil

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**9 SHARE CAPITAL (CONTINUED)**

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

The vesting terms for the stock options issued during the year were as follows:

- 2,679,000 options granted on August 22, 2017 and 100,000 options granted December 11, 2017 vested immediately
- 75,000 options granted August 22, 2017 vested 50% upon issuance, 17% after one year, 17% after two years and 16% three years after date of issue
- 971,000 options granted August 22, 2017, 300,000 options granted October 26, 2017 and 300,000 options granted December 18, 2017 will vest 33% after three months and 22% after one year, 22% after two years and 23% three years after date of issue; and
- 300,000 options granted on August 31, 2017 will vest 50% after 18 months and 50% after three years

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

	Number	Weighted Average Exercise Price \$
<b>Balance, December 31, 2015 and 2016</b>	-	-
Granted	4,725,000	0.25
<b>Balance, December 31, 2017</b>	<b>4,725,000</b>	<b>0.25</b>

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
August 22, 2022	\$0.20	3,725,000	2,940,500
August 31, 2022	\$0.26	300,000	-
October 26, 2012	\$0.20	300,000	-
June 11, 2018	\$0.65	100,000	100,000
December 18, 2022	\$0.58	300,000	-
<b>Balance, December 31, 2017</b>		<b>4,725,000</b>	<b>3,040,500</b>

As of December 31, 2017, the weighted average remaining life for outstanding options was 4.64 years.

**(d) Brokers Warrants**

	Number	Weighted Average Exercise Price \$
<b>Balance, December 31, 2015 and 2016</b>	<b>190,890</b>	<b>1.24</b>
Issued	1,044,400	0.20
Exercised	(24,500)	0.20
<b>Balance, December 31, 2017</b>	<b>1,210,790</b>	<b>0.36</b>

Expiry Date	Exercise Price	Number of Warrants	
		December 31, 2017	December 31, 2016
August 29, 2019	\$1.24	190,890	190,890
July 26, 2019	\$0.20	1,019,900	-
<b>Total</b>		<b>1,210,790</b>	<b>190,890</b>

## **9 SHARE CAPITAL (CONTINUED)**

### **(d) Brokers Warrants (continued)**

The fair value of the 967,680 finders' warrants was estimated to be \$108,900 using the Black-Scholes option price model with the following assumptions: an expected volatility of 100%, an expected life of two years, a risk-free rate of 1.5% and a dividend yield of Nil.

The fair value of the 76,720 finders' warrants issued by BioDE was estimated to be \$8,000 (note 13).

### **(e) 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 December 31, 2017, 6,818,903 common shares are remain held in escrow.

## **10 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 December 31, 2017 and December 31, 2016, the carrying values of cash, accounts receivable, accounts payable and accrued liabilities and related party payables approximate their fair values due to the relatively short period to maturity of those financial instruments.

### **(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.

### **(c) 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 December 31, 2017, 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.

### **(d) 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.

At December 31, 2017, the Company had cash of \$1,426,191, accounts payable and accrued liabilities of \$74,272 and related party payable of \$100,452. All accounts payable and accrued liabilities are due within 90 days. The Company assesses the liquidity risk as low.

### **(e) Market risk**

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

## 10 FINANCIAL INSTRUMENTS (CONTINUED)

### (f) 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. The Company determined that it is not exposed to significant foreign exchange risk.

### (g) 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.

### (h) 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.

## 11. 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 year ended December 31, 2017. The Company is not subject to externally imposed capital restrictions.

## 12. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2016 - 26%) to income before income taxes. The reasons for the differences are as follows:

	December 31, 2017	December 31, 2016
Net loss for the year	\$ (2,955,683)	\$ (587,125)
Statutory tax rate	26%	26%
Expected income tax recovery	(768,477)	(153,000)
Items not deductible for tax purposes	158,582	-
Other	(900)	15,000
Effect of tax rate changes	(140,807)	-

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**13. INCOME TAXES (CONTINUED)**

Change in unrecognized tax assets	751,602	138,000
	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2017	December 31, 2016
Non-capital losses	\$ 14,046,000	\$ 11,343,000
Property and equipment	7,000	-
Other	27,000	62,000
SRED pool	-	1,433,000
	\$ 14,080,000	\$ 12,838,000

The Company has incurred non-capital losses of approximately \$14,046,000 that may be carried forward and used to reduce taxable income. These losses will expire in the years 2026 – 2037.

**13 AMALGAMATION AGREEMENT**

On November 7, 2016, and as amended on November 15, 2016, BioDE and its wholly owned subsidiary, 10889001, entered into an Amalgamation Agreement with Exro. Pursuant to the Amalgamation Agreement, Exro amalgamated with 10889001. Exro exchanged all post-consolidation (Note 9) shares issued and outstanding into an equal number of BioDE shares. The transaction was completed July 26, 2017.

The Amalgamation was accounted for as a reverse takeover whereby Exro is reflected as the accounting acquirer and BioDE as the accounting acquiree. Management has evaluated that BioDE did not meet the definition of a business as defined by IFRS 3 as it did not have the inputs and processes necessary to produce outputs. Consequently, the Amalgamation was accounted as an acquisition of BioDE's net assets and reporting issuer status by the issuance of shares of Exro to BioDE's shareholders. The BioDE share capital and retained earnings has been eliminated in these consolidated financial statements. The cost of the transaction in excess of the net assets of BioDE has been reflected as an expense, being the cost of obtaining a listing of Exro's shares on the CSE as follows:

<b>Cost of Amalgamation</b>	
Fair value of shares held by shareholders of BioDE <sup>(i)</sup>	\$ 1,228,794
Fair value of the broker warrants of BioDE <sup>(ii)</sup>	8,000
Legal and professional fees related to Amalgamation	90,510
<b>Total cost of acquiring BioDE</b>	<b>\$ 1,327,304</b>
<b>Fair Value of BioDE assets acquired, net of liabilities</b>	
Cash	\$ 48,957
Accounts receivable	5,526
Prepaid expense	12,493
Promissory note receivable	529,000
Office equipment	696
Accounts payable and accrued liabilities	(24,205)

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**13 AMALGAMATION AGREEMENT (CONTINUED)**

Net assets	572,467
Excess recorded as listing expense	\$ 754,837

- i) The fair value of the shares that will be held by shareholders of BioDE was determined based on there being 6,143,967 common shares issued and outstanding as of the date of amalgamation. This consists of 3,809,092 common shares issued and outstanding as at July 26, 2017 plus an additional 2,334,875 common shares issued after the conversion of 2,334,875 special warrants issued previously issued by BioDE. The fair value of the 6,143,967 common shares was determined using a price of \$0.20 per share being the price of the April 10, 2017 financing (note 9).
- ii) Pursuant to BioDE's special warrant financing, 76,720 broker warrants became issuable upon completion of the Amalgamation. The broker warrants have an exercise price of \$0.20 and will expire in two years. The fair value of the warrants was estimated to be \$8,000 using the Black-Scholes option price model with the following assumptions: an expected volatility of 100%, an expected life of two years, a risk-free rate of 1.5% and a dividend yield of Nil.

**14 COMMITMENTS**

The Company has obligations under operating leases for its corporate office and development facilities. The leases expire by 2019 and minimum remaining commitments are as follows:

Year	Operating leases
2018	\$ 81,233
2019	74,513
	<b>\$ 155,747</b>

**15. SUBSEQUENT EVENTS**

Subsequent to December 31, 2017, the Company issued 85,000 shares on exercise of 50,000 options and 35,000 warrants at an exercise price of \$0.20.

The Company also issued 425,000 options at an exercise price of \$0.27.

The Company issued 65,000 warrants at an exercise price of \$0.25.