EXRO TECHNOLOGIES INC.

Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2019

(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.

(Expressed in Canadian dollars - Unaudited)

As at		June 30, 2019		December 31, 2018
ASSETS				
CURRENT ASSETS				
Cash	$	861,084	$	751,928
Amounts receivable (note 4)		84,589		66,510
Prepaid expense		104,177		115,910
		1,049,850		934,348
Deposits		17,336		11,586
Investments		1,884		1,884
Intangibles (note 5)		69,135		63,049
Property, furniture and equipment (note 6)		156,884		105,453
TOTAL ASSETS	**$**	**1,295,089**	**$**	**1,116,320**
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (note 7)	$	233,801	$	181,346
Due to related parties (note 9)		3,712		45,347
Lease liability (note 8)		31,410		-
		268,923		226,693
Lease Liability (note 8)		22,276		-
TOTAL LIABILITIES		291,199		226,693
SHAREHOLDERS' EQUITY				
Share capital (note 10)		22,252,434		20,345,930
Reserves		1,380,251		1,146,930
Deficit		(22,628,795)		(20,603,233)
TOTAL SHAREHOLDERS' EQUITY		1,003,890		889,627
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**1,295,089**	**$**	**1,116,320**

These condensed consolidated Interim financial statements were authorized for issue by the Board of Directors on August 29, 2019. 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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
EXPENSES				
Advertising and marketing	$ 69,732	$ 103,823	$ 121,715	$ 198,908
Amortization expense	13,981	6,175	22,198	8,049
Investor relations	9,401	3,016	32,292	6,203
Office and rent	76,779	56,947	135,518	106,042
Payroll and consulting fees (note 9)	482,386	305,667	939,692	605,611
Professional fees	79,304	80,402	118,117	140,593
Research and development	111,217	16,809	266,656	61,404
Share based payments	61,086	85,341	201,559	190,264
Regulatory fees	32,668	37,825	54,628	48,519
Travel	51,199	27,324	111,107	56,096
Interest expense related to lease liability	1,930		2,842	
TOTAL EXPENSES	(989,683)	(723,329)	(2,006,324)	(1,421,689)
OTHER INCOME (EXPENSES)				
Interest Income	-	4,085	-	8,573
Foreign exchange losses	(11,182)	(2,094)	(19,238)	(5,422)
Gain on forgives of loan payable	-	-	-	-
TOTAL OTHER INCOME (EXPENSES)	(11,182)	1,991	(19,238)	3,151
NET LOSS BEFORE INCOME TAX	$ (1,000,865)	$ (721,338)	$ (2,025,562)	$ (1,418,538)
INCOME TAX RECOVERY	-	34,679	-	34,679
NET AND COMPREHENSIVE LOSS	$ (1,000,865)	$ (686,659)	$ (2,025,562)	$ (1,383,859)
Loss per share - basic and diluted	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding	62,913,714	46,200,344	59,179,259	46,152,769

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 (deficiency)
Balance, December 31, 2017	**46,115,344**	**$**	**18,399,540**	**$**	**691,679**	**$**	**(17,475,888)**	**$**	**1,615,331**
Shares issued on exercise of warrants	35,000		10,649		(3,649)		-		7,000
Shares issued on exercise of options	50,000		17,895		(7,895)		-		10,000
Share-based payments	-		-		190,264		-		190,264
Net Loss	-		-		-		(1,383,859)		(1,383,859)
Balance, June 30, 2018	46,200,344		18,428,084		870,399		(18,859,747)		438,736
Private placement, net of issuance cost	8,310,000		1,887,833		58,492				1,946,325
Shares issued on exercise of options	41,250		14,763		(6,513)				8,250
Shares issued and shares contingently issuable on acquisition of Adaptive	50,000		15,250		66,750				82,000
Share-based payments					157,802				157802
Net Loss							(1,743,486)		(1,743,486)
Balance, December 31, 2018	**54,601,594**		**20,345,930**		**1,146,930**		**(20,603,233)**		**889,627**
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		22,089		(15,789)				6,300
Share-based payments					201,559				201,559
Net Loss	-		-		-		(2,025,562)		(2,025,562)
Balance, June 30, 2019	62,963,594		22,252,434		1,380,251		(22,628,795)		1,003,890

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

Exro Technologies Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars - Unaudited)

		2018		2018
OPERATING ACTIVITIES				
Net loss for the period	$	(2,025,562)	$	(1,383,859)
Items not involving cash:				
Amortization		22,198		8,049
Share-based payments		201,559		190,264
		(1,801,806)		(1,185,546)
Net changes in non-cash working capital items:				
Amounts receivable		(18,079)		(28,797)
Prepaid expenses		11,733		181,860
Amounts payable and accrued liabilities		52,455		(11,500)
Deposits		(5,750)		
Due to related parties		(41,635)		
Cash used in operating activities		**(1,803,081)**		**(1,043,983)**
INVESTING ACTIVITIES				
Acquisition of patents		(6,086)		-
Purchase of equipment		(2,509)		(71,012)
Cash used in investing activities		**(8,595)**		**(71,012)**
FINANCING ACTIVITIES				
Proceeds from private placement		2,045,125		-
Share issue cost		(143,159)		-
Proceeds from exercise of options		30,000		10,000
Proceeds from exercise of warrants		6,300		7,000
Principal repayments of capital lease liability		(17,434)		-
Cash provided by financing activities		**1,920,832**		**17,000**
Change in cash		109,156		(1,097,995)
Cash, beginning of the period		751,928		1,426,191
Cash, end of the period	$	**861,084**	$	**328,196**

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", and the OTCQB under the symbol "EXROF".

The Company's head office is located at 2300 – 1177 West Hastings Street, Vancouver, British Columbia, V6E 4X3. 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 Dynamic Power Management ("DPM") 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, 2018, 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, 2018.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, DPM Technologies Inc. ("DPM") and Exro Europe AS ("Adaptive"). 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

With the exception of the significant accounting policies disclosed below, 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, 2018.

(b) Significant accounting 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' 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)

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.

(c) Changes in 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 statement for the fiscal year ended December 31, 2018, with the exception of the following:

Adoption of new standards - Leases

The Company adopted the requirements of IFRS 16 effective January 1, 2019. This new standard replaces IAS 17 Leases and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. The Company applied IFRS 16 retrospectively, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The Company has elected to measure its right of use assets at amounts equal to the associated lease liabilities; as such, the adjustment to retained earnings will be nil.

Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short term leases (lease term of 12 months or less) and low value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

Upon the adoption of IFRS 16, the Company did not require to recognize any additional right of use assets and lease liabilities related to the Company's leased premises as the only lease outstanding at December 31, 2018 expires during the year ended December 31, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

Total operating lease commitments disclosed at December 31, 2018	$	38,900
Recognition exemptions:		
Leases of low value assets		-
Leases with remaining lease terms of less than 12 months		(38,900)
Variable lease payments not recognized		-
Operating lease liabilities before discounting	$	-

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

i. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
ii. the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
iii. the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

(Expressed in Canadian dollars - Unaudited)

4. AMOUNTS RECEIVABLE

		June 30, 2019		December 31, 2018
Research and development tax credit receivable	$	57,319	$	41,075
GST and other sales tax receivable		27,270		25,729
	$	84,589	$	66,804

5. INTANGIBLE ASSETS

		Patents and intellectual property
Cost		
Balance, December 31, 2018	$	63,049
Additions – Patented technology		6,086
Balance, December 31, 2018	$	69,135

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

6. PROPERTY, FUNITURE AND EQUIPMENT

		Right of Use Asset		Research and Development Equipment		Furniture and Office Equipment		Furniture and Equipment
Cost								
Balance, December 31, 2018	$	-	$	101,985	$	21,605	$	123,590
Additions		71,119		-		2,509		73,628
Balance, June 30, 2019		71,119	$	101,985	$	24,114	$	197,218
Accumulated amortization								
Balance, December 31, 2018		-	$	13,957	$	4,180	$	18,137
Amortization for the period		11,853		8,583		1,761		22,197
Balance, June 30, 2019		11,853	$	22,540	$	5,941	$	40,334
Carrying amounts								
At December 31, 2018		-	$	88,028	$	17,425	$	105,453
At June 30, 2019	$	59,266	$	79,445	$	18,173	$	156,884

(Expressed in Canadian dollars - Unaudited)

6. PROPERTY, FUNITURE AND EQUIPMENT (continued)

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, 2019 the Company entered into a new lease agreement for its Vancouver office 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, 2019		December 31, 2018
Accounts payable	$	209,379	$	131,107
Accrued liabilities		24,422		50,238
	$	233,801	$	181,345

8. LEASE LIABILITY

		June 30, 2019
Balance at January 1, 2019, on adoption of IFRS 16	$	-
Additions for the period		71,119
Deduct:		
Lease payments		(19,050)
Add:		
Interest		1,617
Balance, June 30, 2019		53,686
Which consist of:		
Current lease liability		31,410
Non-current lease liability		22,276
	$	53,686

On March 1, 2019, the Company entered into a new lease agreement for its Vancouver head office premise for two years expiring February 28, 2020. Pursuant to this renewal, the Company is obligated to pay basic rent of $3,175 and pay-per-use services and fees to pay for operating costs including electricity and related taxes, on a monthly basis. The lease is automatically renewable for additional successive terms of one year each.

9. 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, 2019 and 2018, the following expenses were incurred to the Company's key management:

		June 30, 2019		June 30, 2018
Management and consulting fees	$	342,652	$	300,500
Share based compensation		114,600		120,904
	$	457,252	$	421,404

9. RELATED PARTY TRANSACTIONS (continued)

As at June 30, 2019, the Company was indebted to the CEO of the Company for management services in the amount of $nil (December 31, 2018 – $16,222). During the six months ended June 30, 2019, the Company incurred $90,000 (2018 - $90,000) 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 June 30, 2019, the Company was indebted to a company controlled by the Company's founder and director and to him personally, for consulting services provided in the amount of $nil (December 31, 2018 - $10,699). During the six months ended June 30, 2019, the Company incurred $56,500 (2018 - $54,500) in consulting expense to this company.

As at June 30, 2019, the Company was indebted to a company controlled by the Vice President, Engineering of the Company for services provided and expense reimbursements in the amount of $nil (December 31, 2018 - $18,485). During the six months ended June 30, 2019, the Company incurred $41,538 in consulting expenses to this company. This expense is included in the payroll & consulting fees expense on the Statement of Comprehensive Loss.

As at June 30, 2019, the Company was indebted to the CFO of the Company for services provided and expense reimbursements in the amount of $nil (December 31, 2018 - $8,360). During the six months ended June 30, 2019, the Company incurred $83,076 (2018 - $36,000) in consulting expense from the CFO. This expense is included in the payroll and consulting fees expense on the Statement of Comprehensive Loss.

As at June 30, 2019, the Company was indebted to a company controlled by a director of the Company, for consulting services provided in the amount of $nil (December 31, 2018 - $nil). For the six months ended June 30, 2019, The Company incurred $30,000 (2018 - $30,000) in consulting expense from this company. This expense is included in the payroll and consulting fees expense on the Statement of Comprehensive Loss.

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

10. 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, 2019, the Company had 62,963,594 common shares issued and outstanding (December 31, 2018 – 54,601,594).

During the six months ended June 30, 2018, the Company:

- Completed a private placement of 8,180,500 shares at a price of $0.25 per share for proceeds of $2,045,125. The Company paid finders fees of $143,159 issued 572,635 broker warrants with an exercise price of $$0.35 per share with a twelve-month expiry. The fair value of the broker warrants was estimated to be $55,458.
- issued 150,000 shares on exercise of 150,000 options at an exercise price of $0.20 for total proceeds of $30,000.
- issued 31,500 shares on exercise of 150,000 warrants at an exercise price of $0.20 for total proceeds of $6,300.

(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.

(Expressed in Canadian dollars - Unaudited)

10. SHARE CAPITAL (CONTINUED)

(c) Stock options (continued)

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 favour 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 favour 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 six months ended June 30, 2019, the Company recorded share-based payments of $198,733 (2018 - $181,264). During the three months June 30, 2019 the company recorded share base payments of $58,260 (2018 - $85,341) No options were granted during the six month period ended June 30, 2019 (2018 - 425,000). The expense recognized during the period ended June 30, 2019 is as a result of the amortization of unvested options granted in prior periods. The fair values of share options granted during the six months ended June 30, 2018 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: Risk-free rate of 2.04%, Volatility of 107.2% expected life of 4 years dividend yield of 0%.

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

	Number	Weighted Average Exercise Price $
Balance, December 31, 2018	**6,600,000**	**0.29**
Exercised	(150,000)	0.20
Expired	(275,000)	0.37
Balance, June 30, 2019	**6,175,000**	0.27

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
August 21, 2022	$0.20	3,450,000	3,113,300
October 26, 2022	$0.26	300,000	165,000
December 18, 2022	$0. 28	300,000	150,000
April 16, 2023	$0.27	50,000	27,500
July 18, 2023	$0.29	300,000	99,000
November 8, 2023	$0.41	1,775,000	658,341
Balance, June 30, 2019		**6,175,000**	**4,213,141**

As of June 30, 2019, the weighted average remaining life for outstanding options was 3.56 years.

(Expressed in Canadian dollars - Unaudited)

10. SHARE CAPITAL (CONTINUED)

(c) Warrants

During the six months ended June 30, 2019 and 2018, the Company recorded share-based payments of $2,826 and $9,000 respectively, related to 600,000 and 65,000 warrants issued. The fair values of share options granted during the six months ended June 30, 2018 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019	2018
Risk-free interest rate	1.51%	1.49%
Estimated annualized volatility based on comparable companies	110%	106%
Expected life	3.2 years	2.0 years
Expected dividend yield	0%	0%
Exercise price	$ 0.31	$ 0.25
Fair value	$ 0.14	$ 0.14
Share price	$ 0.30	$ 0.25

	Number	Weighted Average Exercise Price
		$
Balance, December 31, 2018	**115,000**	**0.31**
Issued	600,000	0.31
Balance, June 30, 2019	**715,000**	**0.31**

		Number of Warrants	
Expiry Date	Exercise Price	June 30, 2019	December 31, 2018
March 20, 2020	$0.25	65,000	65,000
August 28, 2021	$0.35	50,000	50,000
October 29, 2020	$0.37	100,000	-
June 20, 2024	$0.30	500,000	-
Balance, June 30, 2019		**715,000**	**115,000**

(d) Brokers' warrants

During the six months ended June 30, 2019 and 2018, the Company recorded share-based payments of $55,445 and $nil, respectively related to 572,635 and nil broker's warrants issued. The fair values of share options granted during the six months ended June 30, 2019 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019	2018
Risk-free interest rate	1.51%	1.49%
Estimated annualized volatility based on comparable companies	110%	106%
Expected life	1 years	1.0 years
Expected dividend yield	0%	0%
Exercise price	$ 0.35	$ 0.35
Fair value	$ 0.14	$ 0.14
Share price	$ 0.30	$ 0.25

(Expressed in Canadian dollars - Unaudited)

10. SHARE CAPITAL (CONTINUED)

(d) Brokers' warrants (continued)

	Number	Weighted Average Exercise Price
		$
Balance, December 31, 2018	**1,700,090**	**0.36**
Issued	572,635	0.35
Exercised	(31,500)	0.20
Balance, June 30, 2019	**2,241,225**	**0.36**

		Number of Warrants	
Expiry Date	Exercise Price	June 30, 2019	December 31, 2018
August 29, 2019	$1.24	190,890	190,890
July 26, 2019	$0.20	791,770	984,900
July 26, 2019	$0.35	439,600	524,300
July 30, 2019	$0.35	84,700	
August 29, 2019	$0.20	161,630	
March 22, 2020	$0.35	572,635	-
Balance, June 30, 2019		**2,241,225**	**1,700,090**

(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 June 30, 2019, 3,409,450 common shares remain held in escrow.

11. 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, 2019 and December 31, 2018, the carrying values of cash, finder's fees receivable, accounts payable and accrued liabilities, related party payable and loan payable approximate their fair values due to the relatively short period to maturity of those financial instruments.

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.

11. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value (continued)

There were no transfers between Level 1, 2 and 3 during the period. At June 30, 2019 and December 31, 2018, the Company has designated its financial instruments as level 1.

The following table summarizes the classification and carrying values of the Company's financial instruments at June 30, 2019 and December 31, 2018:

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, 2019, 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, 2019, the Company had cash of $861,084, accounts payable and accrued liabilities of $233,801 and related party payable of $3,712. 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 Norwegian Krone and is therefore exposed to exchange rate fluctuations. At December 31, 2018, the value of the Company's financial assets denominated in US dollars is not significant. At December 31, 2018, the Company had net financial assets of $510,387 denominated in Norwegian Krones (Can$ 78,293).

(b) Financial risk management

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.

12. 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, 2019. The Company is not subject to externally imposed capital restrictions.

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2019 the Company issued 40,040 shares on exercise of warrants for total proceeds of $8,008.