EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("**Exro**", the "**Company**", "**we**", "**our**") during the six months ended June 30, 2020, and to the date of this report. The following management discussion and analysis ("**MD&A**") should be read in conjunction with the Company's condensed consolidated interim financial statements for six months ended June 30, 2020, which 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 for the fiscal year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

This MD&A contains forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 12. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of August 28, 2020.

BUSINESS OVERVIEW

Exro is a "clean tech" company that has developed coil driver technology that increases the efficiency and reliability of power systems, including electric motors. Exro's advanced motor control technology expands the capabilities of electric motors and powertrains. Exro's Coil Drive technology enables two separate torque profiles within a given motor. The first is calibrated for low speed and high torque, while the second provides increased efficiency and expanded operation at high speed. The controller automatically and seamlessly selects the appropriate configuration in real time so that torque demand and efficiency are optimized.

Limitations of traditional electric machines and power technology are becoming more evident. In many increasingly prominent applications, traditional methods cannot meet the required performance. This means either oversizing the equipment, adding additional motors, or implementing heavy mechanical geared solutions. Exro offers a new solution, Coil Drive technology, to allow a variable motor to switch coil configurations to permit increased torque or increased speed, negating the need for a separate gear box. The implementation of Coil Drive technology can yield the following results: increased drive cycle efficiency, reduced system volume, reduced size and weight, and expanded torque and speed capabilities. Exro's solution could have utility in many applications, particularly in transportation sectors.

Utilizing Exro's patented motor coil switching technology as a foundation, the Company has developed a new battery cell management software technology called the Intelligent Battery Management System ("**IBMS**"). Exro is optimistic that IBMS can become a market leader in second life battery technology. Exro's IBMS technology applies the principle of managing "energy" as it converts at the individual level to lithium ion batteries. Its topology of the system and intelligent algorithms control the battery cells at an individual level to extend life. For example, the new IEMS when fully commercialized, will allow for constant monitoring and manipulation of energy inflows and outflows, at rates of up to 100,000 manipulations per second. By utilizing the Company's technology to manage the charge and discharge of energy at the individual cell level of a lithium ion battery, Exro aims to improve battery performance and efficiencies, which could result in longer usage and a second life battery application.

Exro's business model is to develop strategic partnerships with companies that are established in their respective markets, specifically those that welcome innovation in their product lines and have adequate internal engineering capacity, growing sales and an existing customer base. In particular, companies that manufacture power systems such as batteries and/or generators or motors make ideal partners, as Exro's technology and engineering skillset act as the "intelligence" to enhance performance characteristics of overall power systems. Exro's partnership with Potencia Industrial, S.A. DE C.V. ("**Potencia**"), a motor/generator manufacturer, is a case in point.

TECHNOLOGY

The Exro technology is a control system that integrates wiring of the rotating machine coils into the power electronics. This gives the power electronics control of the machine coil wiring configuration in real time, providing a range of options in place of a fixed machine configuration.

The control system will select the best configuration for a given operating condition using an application-specific algorithm. Exro's breakthrough approach to power electronics improves efficiency across highly variable input and output applications. Until today electric machine coils have been wired in a single configuration and the designer had to select the configuration that was the best compromise over the range of operating conditions. The technology senses input energy and load, and seamlessly switches coil wiring in any combination from full parallel to full series. The technology is intended to make electric motors and generators used in variable settings "intelligent", leading to more efficient operation.

Exro is also developing software with artificial intelligence capabilities for BMS products as described above.

Exro has built an intellectual property base and intends to protect and commercialize new innovations. By licensing its technology, Exro will focus on its core competency in a field dominated by large players and allow its partners to do what they do best in manufacturing and commercializing products. Exro will work closely with development partners and customers to integrate its technology into their products and develop new intellectual property for Exro.

Exro's technology and intellectual property is wholly owned in seven patent families providing or seeking global protection in strategically important countries. There are seventeen issued patents, one allowed patent but not yet issued, and eighteen pending applications. Exro also uses trade secrets to protect proprietary software and algorithms.

OUTLOOK

Exro's goal is to become profitable as quickly as possible without stunting growth. This will take place primarily through revenue generated from strategic partnerships which may include: licensing the Company's technology, low volume contract manufacturing and service revenue.

Exro's future will be focused on securing and processing strategic partnership arrangements. It is the Company's goal to evolve every collaboration into a commercial licensing arrangement. The central purpose of a collaboration will be to determine the economic benefits when the Company's power electronics technology controls an electric motor and a generator for a particular application. This process will become more systematized as third-party commercial case studies demonstrate efficiencies in target applications.

Since the fall of 2019, the Company entered into seven partnerships with various types of electric vehicle production companies: Motorino Electric ("**Motorino**"), Potencia, Templar Marine Group Ltd. ("**Templar**"), Aurora Powertrains Oy ("**Aurora**"), Clean Seed Capital Group Ltd. ("**Clean Seed**"), Zero Motorcycles ("**Zero**") and SEA Electric Pty Ltd. ("**SEA Electric**"). The current objective is to close one more partnership deal~~s~~ by the end of this year, through continuing the discussions with potential partners and increased brand awareness with continued marketing campaigns and trade shows.

While all collaboration works are underway, Exro and Potencia have been working to accelerate the transition to commercial electric vehicles with novel new powertrain technologies. The motor driver integration program is a multi-stage project where Exro is providing the Motor Driver to be tested and validated in Potencia's world class facility in Mexico City. The first stage of the project has now been delivered. The Exro Customized Driver will be used as the inverter for the Pronto Power Flexible Powertrain. Once this phase is validated, Exro will then supply a Coil Switching Driver in November of this year that will enable maximum efficiency and powertrain performance for the application. This Coil Driver supports Potencia's growing position in the commercial fleet and government vehicle electrification programs.

The Customized Driver was delivered at the end of June and is now undergoing rigorous testing at Potencia. "We're excited to confirm that the driver has been received and testing has begun on the unit. Our expectation is to complete testing by the end of October. Exro has delivered and we look forward to continuing to strengthen our relationship." Tomas Gottfried, Technical Director at Potencia. After Potencia's internal testing is complete, the driver will be installed in a vehicle and road tested. This will provide the first on road application for Exro.

Potencia is dedicated to enabling Mexico's transition to electric vehicles. They design and manufacture special application, high efficiency electrical motors and generators. Specializing in creative solutions and applications, the new Pronto Power division is a vertically integrated business unit supported by Potencia's more then fifty years of manufacturing background. With over one million miles of driving distance, the flexible powertrain is leading the transition of fleet and municipal vehicles in Latin America.

HIGHLIGHTS

On January 15, 2020, the Company announced plans to open a 6,500 sq. ft. innovation center in Calgary, Alberta, to demonstrate how the Company's technology can improves the performance of electric motors. The Exro Innovation Center ("**EIC**") will also increase the Company's laboratory space, allowing it to expand its service capabilities to customers and showcase areas in which the Company's technology can be applied to key sectors of the economy. The EIC will also host collaborative events to explore advances in energy consumption and electric motor innovations, with participants from Calgary, across Canada and international jurisdictions. The relocation of the laboratory space from Victoria, British Columbia, to Calgary, Alberta was completed in June. The Company plans to complete the improved full testing facility with a dynamometer bay and showcase space by the end of November 2020.

On February 6, 2020, the Company announced a partnership with Finland's Aurora, which in 2019 released an all-electric production snowmobile: the "eSled". The Company and Aurora will work to both increase motor performance while decreasing cost for future production. The partnership will see the Company's technology being added to the Aurora electric powertrain, a further move to global commercialization of the Company's technology. According to the International Snow Machine Manufacturing Association, the snowmobile sector has a global imprint. In 2018, there were 124,786 snowmobiles sold worldwide. The International Snowmobile Manufactures Association estimates the annual economic impact of snowmobiling to be $26 billion in the United States, $8 billion in Canada and $5 billion in Europe and Asia.

On April 28, 2020, the Company announced that it signed a collaboration and supply agreement (the "**Supply Agreement**") with Clean Seed to integrate the Company's technology into Clean Seed's high-tech agricultural seeder and planter platforms, advancing the electrification of one of the world's heavy-farm equipment. Under the Supply Agreement, Clean Seed will issue a purchase order to integrate the Company's electric-motor-enhancing technology into Clean Seed's latest technology offerings and beyond. Clean Seed, in collaboration with the Company, anticipates building a working prototype that is expected to be implemented in the field by late 2021.

On June 12, 2020, the Company sold its wholly owned subsidiary, Exro Europe AS ("**Exro Europe**") and related technology, back to RAW Holdings AS for a purchase price of $16,250. The sale was pursuant to the exercise of a re-purchase right as part of the Company's acquisition of Adaptive Technologies AS ("**Adaptive**") on August 29, 2018 (the "**Adaptive Agreement**"). Adaptive was subsequently renamed Exro Europe. Under the Adaptive Agreement, Adaptive shareholders had a right to re-purchase Exro Europe at 130% of the original purchase price in the event that the Company elected not to commercialize the technology from Adaptive. Exro made a choice to focus its efforts on commercializing the Coil Drive and the IBMS technologies. As a result of the sale of Exro Europe, the Company now holds 17 patents and has 18 patents pending.

On June 15, 2020, the Company announced it has initiated a collaboration agreement with Zero to evaluate Exro's patented coil drive technology using Zero's SR/S powertrain platform. Zero is a developer of electric-powered motorcycles offering what it believes to be a superior riding experience. In entering this agreement, Exro and Zero will collaborate to integrate Exro's Coil Drive technology into a Zero ZF75-10 based motorcycle. The agreement will involve motor technology and integration support from Zero, while Exro will provide power electronics design and supply.

On July 10, 2020, the Company completed a short form prospectus offering of 11,428,571 units at a price of $0.70 per unit for gross proceeds of $8,000,000. Each unit consisting of one common share and one-half share purchase warrant. Each whole warrant is exercisable into one common shares at a price of $0.90 for a period of 24 months from the date of issuance. In connection with the share offering, the Corporation incurred share issuance costs of $640,000 commission paid in cash, issued 571,428 common shares, and 914,285 broker warrants exercisable at $0.70 per common share for a period of 24 months from the date of issuance.

On July 15, 2020, the company announced that it is partnering with Australia's SEA Electric to enhance electric powertrain technology for heavy duty trucks and delivery vehicles. Recognized as a global leader in the electrification of commercial vehicles, SEA Electric and Exro will co-develop and test powertrains based on Exro's Coil Driver and the SEA-Drive technologies.

COVID-19

The outbreak of the coronavirus ("**COVID-19**") pandemic may impact Exro's plans and activities. The Company may face disruption to operations, supply chain delays, travel and trade restrictions and impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce industry and could be a health-care challenge for the Company. There can be no assurance that Exro's personnel will not be impacted by these pandemic diseases and ultimately that the Company would see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. Additional cybersecurity risks exist due to personnel working remotely. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. There can be no assurance that that Exro will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets, may reduce share prices and financial liquidity and thereby that may severely limit the financing capital available.

RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

Selected quarterly financial data

	Quarter ended	Revenue $	Net loss and comprehensive loss $	Basic and diluted loss per common share $	Weighted average number of common shares
Q2/20	June 30, 2020	-	(2,246,269)	(0.03)	83,002,396
Q1/20	March 31, 2020	-	(1,525,182)	(0.02)	76,314,552
Q4/19	December 31, 2019	-	(1,508,039)	(0.02)	64,618,523
Q3/19	September 30, 2019	-	(1,131,431)	(0.02)	63,124,910
Q2/19	June 30, 2019	-	(1,000,865)	(0.02)	62,913,714
Q1/19	March 31, 2019	-	(1,024,696)	(0.02)	55,440,192
Q4/18	December 31, 2018	-	(913,634)	(0.02)	54,601,594
Q3/18	September 30, 2018	-	(824,557)	(0.02)	52,213,421

For the three months ended June 30, 2020, compared to the three months ended June 30, 2019

During the three months ended June 30, 2020, the Company incurred a comprehensive loss of $2,246,269 (2019 – $1,000,865).

Professional fees remained fairly constant as they only increased from $79,304 to $138,081 during the three months ended June 30, 2020, an increase of $58,777. The increase is mostly related to legal fees associated with intellectual property.

Share based payments expense was $176,630 for the three months ended June 30, 2020 (2019 – $61,086). This relates to amortization of unvested options issued during the period as well as unvested options granted during the year ended December 31, 2019.

Investor relations expense of $86,831 (2019 – $9,401) an increase of 77,430. The increase is due to efforts by the Company to attract investors as it expands.

Regulatory fees of $52,939 (2019 – $32,668) an increase of $20,271 were incurred during the quarter ended June 30, 2020. The increase is due to additional fees incurred by the Company as a result of its private placement and grant of options.

Payroll and consulting fees increased by $387,642 from $482,386 to $872,028. The increase was a result remuneration paid to new positions created as the company continues its commercialization efforts.

Research and development of $300,130 (2019 - $111,217) an increase of 188,913. The increase is due to additional expenditures incurred as the Company continues to improve its technology in order to achieve its goals for commercialization.

Marketing expense of $50,151 (2019 - $69,732) decreased of 19,581 and travel expense of $6,346 (2019 – $51,199) a decrease of 44,853. The decreases were as a result the COVIT 19 pandemic impact which limited traveling as well as seminars and other marketing tools which require social interaction.

Office and rent $401,296 (2019 - $76,779) an increase of $324,517. The increase mostly due to expenditures incurred for recruitment efforts for key personnel as well as moving costs from its premises in Victoria BC to its new premises in Calgary Alberta.

<u>For the six months ended June 30, 2020, compared to the six months ended June 30, 2019</u>

During the six months ended June 30, 2020, the Company incurred a comprehensive loss of $3,771,451 (2019 – $2,025,562).

Professional fees increased to $222,301 during the six months ended June 30, 2020 compared from $118,117 during the corresponding period in 2019. The increase is mostly related to legal fees associated with intellectual property.

Share based payments expense was $321,313 for the six months ended June 30, 2020 (2019 – $201,559). This relates to amortization of unvested options issued during the period as well as unvested options granted during the year ended December 31, 2019.

Investor relations expense of $189,994 (2019 – $32,292) an increase of 157,702. The increase is due to efforts by the Company to attract investors as it expands.

Regulatory fees of $84,054 (2019 – $54,628) an increase of $29,426 were incurred during the quarter ended June 30, 2020. The increase is due to additional fees incurred by the Company as a result of its private placement and grant of options.

Payroll and consulting fees increased by $650,913 from $939,692 to $1,590,605. The increase was a result remuneration paid to new positions created as the company continues its commercialization efforts.

Research and development of $476,131 (2019 - $266,656) was incurred during the period which represents mainly materials used for development of its technology. The increase is due to additional expenditures incurred as the Company continues to improve its technology in order to achieve its goals for commercialization.

Marketing expense of $127,020 (2019 - $121,715) increased and travel expense of $75,273 (2019 – $111,107). While marketing efforts to promote the company and its technology continue, traveling has decreases as a result the COVIT 19 pandemic impact which limited traveling as well as seminars and other marketing tools which require social interaction.

Office and rent $482,402 (2019 - $135,518) an increase of $346,884. The increase mostly due to expenditures incurred for recruitment efforts for key personnel as well as moving costs from its premises in Victoria BC to its new premises in Calgary Alberta.

OUTSTANDING SHARE DATA

As of August 28, 2020, there were 97,233,990 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number Outstanding as of August 28, 2020[(1)]	Number Outstanding as of June 30, 2020
Common Shares issued and outstanding	97,233,990	83,836,229
Options	8,110,000	9,132,500
Warrants	5,762,185	650,000
Broker Warrants	1,326,474	710,801

[(1)] As at June 30, 2020 and August 28, 2020, 1,136,484 common shares are held in escrow.

SOURCES AND USES OF CASH

	Six months ended June 30,	
	2020	2019
	$	$
Cash used in operating activities	(3,168,508)	(1,803,081)
Cash used in investing activities	(86,904)	(8,595)
Cash provided by financing activities	4,559,183	1,920,832
Net increase in cash and cash equivalents	1,333,771	109,156
Ending cash balance	1,830,407	861,084

Cash used in operating activities is comprised of net loss, add-back of non-cash expenses, and net change in non-cash working capital items. Cash used in operating activities increased to $3,168,508 for the six months ended June 30, 2020 compared to $1,803,081 during the same period in 2019. This increase of $1,365,427 is primarily due to an operating loss for the period ended June 30, 2020 compared to a smaller loss in 2019.

Cash used in investing activities of $86,904 for the six months ended June 30, 2020 was primarily related to the net cash outflow on disposition of subsidiary as well as purchases of equipment.

Cash provided by financing activities for the six months ended June 30, 2020 increased to $4,589,183 compared to $1,920,832 for the same period of fiscal 2019. During the six months ended June 30, 2020 the Company received funds as a result of a private placement raising a total of $4,414,592 (2019 - $2,045,125) with related cost of issuing shares of $355,451 (2019 - $143,159), the exercise of warrants for a total of $350,790 (2019 - $6,300) and the exercise of options for total proceeds of $127,500 (2019 - $30,000). The company also applied for the $40,000 CEBA offered by the Government of Canada.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2020, the Company had cash of $1,830,407, accounts payable and accrued liabilities of $571,409, and a related party payable of $27,435. All accounts payable and accrued liabilities are due within 90 days. In addition, subsequent to June 30, 2020 the Company completed its prospectus offering for net proceeds of $7,360,000. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties cast doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the six months ended June 30, 2020.

CRITICAL ACCOUNTING ESTIMATES

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. 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.

PROPOSED TRANSACTIONS

There are no proposed transactions.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

APPROVAL

The Company's Board of Directors has approved the Company's financial statements for the six months ended June 30, 2020. The Company's Board of Directors has also approved the disclosures contained in this MD&A.

RELATED PARTY TRANSACTIONS

Key management compensation

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

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

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

RISKS AND UNCERTAINTIES

Current and prospective shareholders should specifically consider various risk factors, including, but not limited to, the risks outlined below and particularly under the heading "*Risk Factors*" in the Company's 2020 short form prospectus filed on SEDAR (www.sedar.com) dated July 7, 2020. Should one or more of these risks or uncertainties, including the risks listed below, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein.

Failure to develop our internal controls over financial reporting as we grow could have an adverse impact on us.

As Exro matures, it will need to continue to develop and improve its current internal control systems and procedures to manage its growth. Exro is required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely impact Exro's public disclosures regarding its business, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in the Company's internal controls over financial reporting, disclosure of management's assessment of internal controls over financial reporting or disclosure of Exro's public accounting firm's attestation to or report on management's assessment of internal controls over financial reporting may have an adverse impact on the price of the Common Shares.

Reliance on Management and Employees

Our performance will be largely dependent on the talents and efforts of highly skilled individuals. The loss of one or more members of our management team or other key employees or consultants could materially harm our business, financial condition, results of operations and prospects. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization. We face competition for personnel and consultants from other companies, universities, public and private research institutions, government entities and other organizations. If we do not succeed in attracting the necessary personnel or in retaining or motivating them, we may be unable to grow effectively. In addition, our future success will depend in large part on our ability to retain key consultants and advisors. It cannot be assured that any skilled individuals will agree to become an employee, consultant, or independent contractor of the Company. Our inability to retain their services could negatively impact our business and our ability to execute our business strategy.

The Company is subject to various government laws and regulations.

We are subject to various federal, provincial and local laws and regulations affecting corporations and the trading of our securities including, but not limited to, the *Business Corporations Act* (British Columbia), the *Securities Act* (British Columbia), the *Income Tax Act* (Canada) and the *Income Tax Act* (British Columbia), as well as various regulatory bodies such as the British Columbia Securities Commission, the CSE and the OTCQB Venture Market. In the event we are unable to remain in compliance with all of the regulations applicable to the Company and its operations it could negatively impact our business and our ability to execute our business strategy.

Further, as our technology is commercialized, products using our technology may be subject to a variety of laws and regulations both domestic and international. In the event we are unable to comply with any laws and regulations affecting such products, it may have a negative material impact on our business, operations, and financial performance.

The technology industry is very competitive, and we may be unable to compete with companies with greater financial or technical resources than us, which could negatively affect our operations.

The technology industry is characterized by rapid technological developments and a high degree of competition. Access to patents and other protection for technology and products, the ability to commercialize technological developments, access to necessary capital, access to market channels and the ability to obtain necessary approvals for testing, manufacturing and commercialization will impact our potential success. Continued development in different product ranges will require continued investment in research and development. Lab equipment and capital expenditures will also be required for growing to larger ratings.

Exro will be competing with other technology firms in the clean technology space or with other companies with similar technologies. These companies, as well as academic institutions, government agencies and private research organizations, also compete with us in research and development, product development, and market and brand development. Additionally, these companies all compete for highly qualified scientific personnel and consultants, and capital from investors.

Timing of the market introduction of our technology or of competitors' technologies or products may be an important competitive factor. Accordingly, the relative speed with which we can complete project development, conduct appropriate safety testing and manufacture, will also be determining factors in our ability to compete successfully in the markets we enter.

Reliance on Partners

The Company assumes that the collaborating partners will perform and deliver on development targets as agreed and planned, although there is a risk that they won't, and the corporation operates under the constraint that the partner is not under its control. A larger tier partnership may require longer development times compared to a smaller company. A smaller tier partnership may not hold enough sales volume to be worth the development efforts and resources.

Reliance on Suppliers

The Company faces a third-party risk, should suppliers for components and power electronics not deliver on one or more dimensions of scope, time and cost. The Company will reduce the probability of occurrence by ensuring that the suppliers have clear statements of work, and comprehensive design specifications to work to that are documented, reviewed and approved with participation of the supplier as well as the partner.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Unexpected challenges during product development are inherent in new technology, in that an early stage technology could present unexpected challenges that exceed the allocated resources. The Company will reduce the probability of occurrence by careful project management.

The Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company does not achieve revenues to offset these expected operating expenses, the Company will never be profitable which would, among other things, limit the Company's ability to grow.

Technology cannot be effectively commercialized

The Company's technology is currently in the commercialization phase. There is a risk that the technology and the Company's products will not perform as expected in certain applications and therefore, the Company may encounter delays to commercialization or may run the risk that the technologies will never be successfully commercialized. This means that the Company may never receive revenues or return on its technology development.

Technical Risks

Technical risks are inherent in the development and commercialization process, in that an immature technology could present unexpected challenges that exceed the planned time or financial resources to overcome. There can be no guarantee that the Company will be able to overcome technical risks associated with the development of its technology.

Additional Financing

Since inception, the Company has not generated revenues and has incurred losses and has an accumulated deficit of $25,268,264 as of December 31, 2019. As the Company has no revenue, in order to execute the anticipated growth strategy, the Company will require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect on the development of the technology and upon future profitability.

Ability to Protect Proprietary Rights

The Company's success will depend in part on its ability and that of its corporate collaborators to obtain and enforce and protect patents and maintain trade secrets, in Canada, the United States and in other countries. There is a risk that the Company may not be able to obtain and enforce patents and maintain its trade secrets.

Patent law relating to the scope and enforceability of claims in the fields in which we operate is still evolving. There can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our collaborators' research, development and commercialization efforts. There can be no assurance that our or any corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent applications filed by us or one of our collaborators.

Our commercial success depends significantly on our ability to operate without infringing the patents and proprietary rights of third parties, and there can be no assurance that our and our collaborators' technologies and products do not or will not infringe the patents or proprietary rights of others.

There can be no assurance that third parties will not independently develop similar or alternative technologies to ours, duplicate any of our technologies or the technologies of our collaborators or our licensors, or design around the patented technologies developed by us, our collaborators or our licensors. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations.
Litigation may also be necessary to enforce patents issued or licensed to us or our collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

Project Management

The Company on its own or in collaboration with partners, is involved in various projects to commercialize the technology. There is inherent risk in project execution due to the structure of the project, which involves several parties undertaking specific work in different geographic locations and having to coordinate in real time.

Operating Risk and Insurance Coverage

We currently carry insurance to protect our assets, operations and employees. While Exro believes insurance coverage can adequately address many of the material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for all risks and hazards to which we may become exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Exro were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Our technology may be unable to achieve broad market acceptance and, consequently, limit our ability to generate revenue and profits from new products.

Even when product development is successful our ability to generate significant revenue and profits depends on the acceptance of our products by our customers and end users of the products, such as companies or individuals purchasing vehicles incorporating our technology. The market acceptance of any product depends on a number of factors, including but not limited to awareness of a product's availability and benefits, the price and cost-effectiveness of our products relative to competing products; general competition, and the effectiveness of marketing and distribution efforts. Any factors preventing or limiting the market acceptance of our technology could have a material adverse effect on our business, results of operations and financial condition.

Product liability lawsuits against us could cause us to incur substantial liabilities, and we may be subject to product recalls for product defects that are self-imposed or imposed by regulators.

In the event of a failure of a future product incorporating our technology, such as a recreational vehicle or truck, we may be subject to potential product liability lawsuits. Under certain circumstances, our customers may be required to recall or withdraw the products incorporating our technology. Even if a situation does not necessitate a recall or market withdrawal, product liability claims may be asserted against the Company. Even if a product liability claim is unsuccessful, the negative publicity surrounding any assertion that the products caused illness or physical harm could adversely affect the Company's reputation and brand equity.

COVID-19 Pandemic

The outbreak of the SARS-CoV-2 coronavirus ("COVID-19") pandemic and government actions to address it may have a material adverse effect on Exro's business, financial conditions and results of operation, all of which could be rapid and unexpected. The Company may face disruption to operations, supply chain delays, travel and trade restrictions and impacts on economic activity in affected countries or regions that could reduce demand for applications of Exro's technology. COVID-19 may further prevent or cause delays in delivering our technology and services, whether by direct impacts to our operations or impacts to the operations of our suppliers, customers or financial markets. Exro's strategic partnerships may similarly be affected.

The COVID-19 pandemic continues to evolve rapidly and, as a result, it is difficult to accurately assess its continued magnitude, outcome and duration. The COVID-19 pandemic could: negatively impact levels of investment in deployments of Exro's technology; lead to prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; impact our customers' and partners' production volume levels, including as a result of prolonged unscheduled facility shutdowns; and result in government regulation that may adversely impact our business. COVID-19 may also represent a serious threat to the Company maintaining a skilled workforce and could be a healthcare challenge for the Company, its customers, suppliers and partners. There can be no assurance that Exro's personnel will not be impacted by COVID-19 and ultimately the Company may see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. Additional cybersecurity risks also exist due to personnel working remotely. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy generally and transportation sectors specifically, and thus demand for consumer goods with potential applications for Exro's technology. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. There can be no assurance that Exro will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity and thereby severely limit the capital available to the Company.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations

Our business prospects and results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to our business, including weaker demand for our product candidates and impairment of our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. Any of the foregoing could harm our business, and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

If we are unable to develop sales, marketing and distribution capabilities or enter into agreements with third parties to perform these functions on acceptable terms, we may be unable to generate revenue.

Exro is still in the early stages of developing our marketing and sales capabilities. For any products we intend to introduce into the market, we will be required, at least initially, to enter into collaborations with customers and partners to perform these services. There can be no assurance that we will be able to enter into such arrangements on acceptable terms or at all. Any revenue we receive will depend upon the efforts of our customers and/or partners and there can be no assurance that our customers and. or partners will establish adequate sales and distribution capabilities or be successful in gaining market acceptance of any product. If we are not successful in commercializing any products in the future, either on our own or our customers and/or with partners, our business, financial condition and results of operations could be materially adversely affected.

Litigation

Exro may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect Exro's ability to continue operating and the market price for Exro's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Common Shares may be subject to wide price fluctuations

The Common Shares currently trade on the CSE in Canada and the OTCQB Venture Exchange in the United States. The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, such as the COVID-19 pandemic, could adversely affect the market price for the Common Shares.

Dilution

As Exro has no revenue, we rely on raising additional equity capital or incur borrowings from third parties to finance our business. The Board has the authority, without the consent of any of the Company's shareholders, to cause the Company to issue more Common Shares. Consequently, shareholders may experience more dilution in their ownership of Exro in the future. The issuance of additional Common Shares would dilute shareholders' ownership in Exro.

Limited Operating History

The Company is an early-stage business venture focused on electric motor and generator technology, and is currently pre-revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Operating results for future periods are subject to numerous uncertainties and it cannot be assured that the Company will achieve or sustain profitability. The Company's prospects must be considered in light of the risks encountered by companies in the early stage of development, particularly companies in new and rapidly evolving markets. Future operating results will depend upon many factors, including, but not limited to, the Company's success in attracting necessary financing, the Company's ability to establish credit or operating facilities, the Company's ability to develop and commercialize existing and new products, the Company's ability to successfully market the Company's products, the Company's ability to attract repeat customers, the Company's ability to control operational costs, the Company's ability in retaining motivated and qualified personnel, legal and regulatory developments in the jurisdictions in which the Company operates, as well as general economic conditions. It cannot be assured that the Company will successfully address any of these risks.

Dividends

The Company has no earnings or history of paying dividends, and does not anticipate paying any dividends in the foreseeable future. In the event that the Company were to pay dividends such dividends would be subject to tax and potentially, statutory withholdings.

Conflict of Interest

Certain of the Company's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on Company's results of operations and financial condition.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking information.

As a venture issuer, the Company is not required to make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting

In contrast to the certificate required for non-venture issues under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), our certifying officers, as a venture issuer, are not required to make representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers of the Company are not required to make any representations that they have:

(a) designed, or caused to be designed, DC&P to provide reasonable assurance that information required to be disclosed by Exro in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed, or caused to be designed, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FINANCIAL INSTRUMENTS AND FAIR VALUE

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

(a) Fair value

At June 30, 2020 and December 31, 2019, the carrying values of 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 six levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

There were no transfers between Level 1, 2 and 3 during the period. At June 30, 2020 and December 31, 2019, the Company has designated its financial instruments as level 1.

(b) Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at June 30, 2020, the Company's exposure to credit risk is the carrying value of cash. The Company reduces its credit risk by holding its cash at a major Canadian financial institution.

Liquidity risk

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

At June 30, 2020, the Company had cash of $1,830,407, accounts payable and accrued liabilities of $494,824, and a related party payable of $27,435. All accounts payable and accrued liabilities are due within 90 days. In addition, subsequent to June 30, 2020 the Company completed its prospectus offering for net proceeds of $7,160,000 after commission and other expenses. The Company assesses the liquidity risk as low.

Market risk

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars and is therefore exposed to exchange rate fluctuations. The Company determined that it is not exposed to significant foreign exchange risk.

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.

SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements have been prepared using accounting policies, judgements and estimates consistent with those used in the financial statements for the years ended December 31, 2019 and 2018. Please refer to the audited financial statements for the years ended December 31, 2019 and 2018 for additional information.

FORWARD-LOOKING INFORMATION OR STATEMENTS AND CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in currency exchange rates; uncertainty of estimates of capital and operating costs;

The need to obtain additional financing and uncertainty as to the availability and terms of future financing; and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of May 29, 2020 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and find additional value in the biotechnology assets held.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Calgary, AB August 28, 2020