

**FORM 49**  
**[RULE 13.19]**

COURT FILE NUMBER	2401-16988
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ALLAN CROSIER
DEFENDANTS	EXRO TECHNOLOGIES INC., SUE OZDEMIR, RODNEY COPES, CANACCORD GENUITY CORP., EIGHT CAPITAL, NATIONAL BANK FINANCIAL INC., ATB SECURITIES INC. STIFEL NICOLAUS CANADA INC., ROTH CANADA INC. and A.G.P. CANADA INVESTMENTS ULC
DOCUMENT	<b>Brought under the <i>Class Proceedings Act</i></b>  <b>AFFIDAVIT OF MAX TROJAN</b>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<b>BAKER LAW FIRM / KND COMPLEX LITIGATION</b> c/o Baker Law Firm Suite 3000, 421 7 Ave SW Calgary, AB T2P 4K9  <b>Attn: Roger J. Baker</b> Direct: 403.455.0031 Email: <a href="mailto:rbaker@bakerlawfirm.ca">rbaker@bakerlawfirm.ca</a> File no: 0328.001  <b>Attn: Sage Nematollahi / Eli Karp</b> Email: <a href="mailto:sn@knd.law">sn@knd.law</a> / <a href="mailto:ek@knd.law">ek@knd.law</a> Tel: 236.888.7700

**AFFIDAVIT OF MAX TROJAN**

1. I, Max Trojan, of the City of Mississauga, in the Province of Ontario, **AFFIRM AND SAY THAT:**
2. I am a holder of the common shares of Exro Technologies Inc. ("**Exro Technologies**"). I provide this affidavit in support of the proposed securities class action brought in the Courts of Alberta arising from a merger transaction between Exro Technologies and SEA Electric Inc. ("**SEA Electric**"), which was conducted in the Spring of 2024. I have knowledge of the matters to which I depose herein. Where my knowledge is stated to be based on information I have obtained from others, I have so indicated and believe that information to be true.
3. No portion of this affidavit is intended to waive, nor should it be construed as a waiver of, attorney-client, litigation or other privilege.
4. I am a retail investor, and I invest for myself and my family. I am also an investment advisor, and manage the investments of my clients. I and the members of my household currently own approximately 2 million common shares of Exro Technologies. My clients own several more million common shares of Exro Technologies.
5. I began investing in the common shares of Exro Technologies in 2021. Because I held a significant position in the common shares of Exro Technologies, I had access to the management of Exro Technologies. I had regular communications with them by way of email, text messages and phone calls. The Exro Technologies management members whom I regularly interacted with included Ms. Sue Ozdemir, CEO of Exro Technologies, and Mr. Darrel Bishop, who most recently served as Exro Technologies' CFO.
6. Exro Technologies announced its acquisition of SEA Electric by way of a Material Change Report dated January 30, 2024. A copy of that Material Change Report

is attached hereto as **Exhibit "A"**. The class action refers to this document as the Impugned MCR. The class action plaintiffs allege that the Impugned MCR contained a misrepresentation, as it overstated the value of SEA Electric.

7. When Exro Technologies released the Impugned MCR, I reviewed it carefully. My notes from my review of the Impugned MCR are attached hereto as **Exhibit "B"**. I considered and relied on several representations made in the Impugned MCR, including that the company had a "solid order-book," and that it was positioned to deliver more than 1,000 propulsion technology systems to the original equipment manufacturers (or, OEMs) in 2024, with aggregate revenues forecasted to be more than \$200 million for the calendar year 2024.
8. Based on my review of the Impugned MCR, and in the course of my due diligence regarding investment in Exro Technologies' securities, I queried Mr. Bishop regarding the representations made in the Impugned MCR. The following are the text message I exchanged with Mr. Bishop on January 31, 2024:

Me: Hey Darrell, DO NOT enter into a SHARE consolidation or SHARE REVERSAL! It will cut the value in half once more! Max

Me: [https://www.brodkysmith.com/cases\\_lexro-technologies-inc-otc-exrof/](https://www.brodkysmith.com/cases_lexro-technologies-inc-otc-exrof/)

Mr. Bishop : Thx for your thoughts on the share consolidation Max. Our board hasn't made any decisions on that yet.

Me: I am not happy with the proposed deal. None of my shareholders are happy. 35% of the new company is not enough. We need to talk.

Mr. Bishop: That Brodsky thing is par for the course. Most acquisitions will have these ambulance chaser US firms do this upon an acquisition. It's a shake down for a fee. We followed all process and procedures, put a special committee of the board in place, etc. We will set up a zoom call to take you through the deal in detail. We will set up a zoom call to take you through the deal in detail.

Me: The shares were manipulated lower by the deal-makers. That's the essence of my complaint. Tate Sullivan's research suggested that funding price should have been \$1.55 (not \$0.95). What recourse do we have if Hino and Mack revenues fail to deliver on projections? Is the Coil Driver only worth 35% of the new company to existing EXRO shareholders? I am a numbers Guy and have been loyal to EXRO from the beginning! 550MM shares plus \$100MM in debt is a massive amounts of problem! My shareholders will be lucky to break-even in 2-3 years!

Mr. Bishop: Let's walk through it all together. Do you have any availabilities on Monday? We effectively bought \$200M in revenue this year and \$300M plus in 2025 for 2x 2024 EV/Rev (vs Exro trading at 5.0x Rev). Net debt proforma is US\$40M. We can discuss the numbers when we connect again.

Me: Where are the guarantees from Hino and Mack? We are paying dearly for it today! The Present Value calculation doesn't justify the risk. Perhaps if we had 50% of the New Company

Mr. Bishop: We had many calls/meetings/due diligence sessions with Mack and Hino to backstop. Nothing is 100% guaranteed but we have high confidence in the numbers, and they are conservative.

Me: Darrell...What's the confidence plan? If Sea Electric prepared to surrender their percentage if the revenue projections miss? That should be pro-rated! Put yourself in my shoes!!! What's the contingency plan? Is Sea Electric prepared to surrender their percentage if revenue projections miss? Nothing has been delivered on time to EXRO shareholders in the past as guided concerning purchase orders or onset of revenues. Why should it be different this time? Tate Sullivan lowered his target without further information about Linamar. He and I spoke at length tonight. Where is the co-marketing campaign you spoke of? Linda Hasenfranz needs to endorse Linamar's commitment to EXRO during this death spiral! We had many calls/meetings/due diligence sessions with Mack and Hino to backstop. Nothing is 100% guaranteed but we have high confidence in the numbers, and they are conservative. (From Darrell) Please show me Sea Electric's financial statements for the past 5 years as part of the upcoming meeting's discussion.

9. A zoom video conference call was subsequently scheduled in which Sue Ozdemir, Darrel Bishop, Rodney Copes (Chairman of the Board of Directors of Exro Technologies at the time), Tony Fairweather (CEO of SEA Electric at the time), myself and Mike Zienchuk participated. On that call, Exro Technologies' management walked us through the merger transaction and confirmed the numbers underpinning the valuation of SEA Electric regarding shipments and revenue, and reiterated that those numbers were conservative. Mr. Zienchuk and I asked to be provided with a copy of the valuation analysis of National Bank Financial in relation to the merger transaction; Ms. Ozdemir promised to provide us with the valuation analysis, but later advised us that she would not be sharing the valuation analysis with us. Furthermore, we asked to be provided with a copy of the recording of this zoom call; Exro Technologies' management sent us broken links that purported to provide a copy of the recording, but ultimately did not provide us with the recording of the zoom call.
10. Based on my conversations with Mr. Bishop and Ms. Ozdemir, and taking into account the further representations made in connection with the transaction, including the Fairness Opinion of National Bank Financial, I was persuaded that the proposed merger between Exro Technologies and SEA Electric was appropriate. I, therefore, voted in favour of the transaction.
11. The merger between Exro Technologies and SEA Electric was completed on April 5, 2024.
12. Shortly after the closing of the transaction, I noticed from Exro Technologies' public disclosures that there were delivery issues on the part of Exro Technologies.
13. On April 17, 2024, I had a call with Ms. Ozdemir. My concern was that the combined company, which was represented to have a market capitalization of \$600 million, now only had a market capitalization of \$370 million. I had the concern that Exro Technologies may be experiencing manufacturing deficiencies,

or a slow demand. I was reassured by Ms. Ozdemir that there were no manufacturing issues and, while SEA Electric had delayed on certain deliverables, the demand from the OEMs existed and that within 1.5 years the stock price would reach \$2.25 per share. My notes from that call are attached hereto as **Exhibit "C"**.

14. In the months that followed, and as the stock price continued to decline, I consistently expressed my concerns to Exro Technologies' management team regarding the lack of visibility into the deliveries, purchase orders, and the revenue streams of the company. The management attributed the stock price decline to aggressive selling of the stock in the open market by the former shareholders of SEA Electric, and further short activity in relation to the stock. Exro Technologies' management otherwise reassured me that the partnership arrangements with the OEMs continued to progress, although they refused to share much details regarding those efforts with me.
15. On August 14, 2024, Exro Technologies reported its financial results with respect to the period ending June 30, 2024, *i.e.* Q2 2024, which was the first quarterly reporting period following the closing of the merger between Exro Technologies Inc. Exro Technologies reported that it had experienced delivery issues in the quarter, but nonetheless demand remains, and that Exro Technologies' commercial production continued to ramp up. Attached hereto as **Exhibit "D"** is a copy of the Management Discussion and Analysis of Exro Technologies for Q2 2024. Attached hereto as **Exhibit "E"** is a copy of the transcripts of the earnings call held by Exro Technologies on August 15, 2024. Attached hereto as **Exhibit "F"** is a copy of my notes from the earnings call.
16. During August and September 2024, it was clear that Exro Technologies needed to raise capital. I volunteered to help Exro Technologies secure funding through credit or government grants. Eventually, Exro Technologies was able to secure financing through an equity raise that was carried out in September 2024.

17. On September 24, 2024, I had a call with both Ms. Ozdemir and Mr. Bishop to discuss Exro Technologies' Q2 2024 results and other matters. During this call, I was reassured that Exro Technologies was properly on its growth track, supply and liquidity issues had been addressed and that the OEM "are not looking elsewhere" and are "100% committed". A copy of my notes from that call is attached hereto as **Exhibit "G"**.
18. On November 13, 2024, Exro Technologies reported its financial results with respect to the period ending September 30, 2024, *i.e.* Q3 2024. At this juncture, Exro Technologies wrote off over \$200 million with respect to the value of the assets acquired from SEA Electric, also reporting that due to financial control and accounting deficiencies at the time of the transaction it did not or could not value the transaction properly. A copy of Exro Technologies' Management Discussion and Analysis for Q3 2024 is attached hereto as **Exhibit "H"**. A copy of the transcripts of the earnings call held by Exro Technologies on November 13, 2024 is attached hereto as **Exhibit "I"**. I do not have notes from that call.
19. Exro Technologies' Q3 2024 disclosures essentially meant that the company could not achieve the expected economic benefits from the acquisition of SEA Electric and likely overvalued it at the time of the transaction. This was reflected in the analysts' commentary subsequent to the Q3 2024 disclosures. For example, a report published by ATB Capital Markets noted that "As a result of the prevailing share price in the quarter, the Company was required to perform a goodwill impairment test on the SEA acquisition and wrote down goodwill and the majority of intangible assets associated with the transaction." The ATB Capital Markets research also noted that "The Company relies heavily on partnerships with several established tier-one parts manufacturers and OEMs. The existing partnerships are based on proof of concept and do not guarantee commercial terms. Failure to maintain existing partnerships and/or establish new ones could have an adverse

impact on the Company's performance." A copy of this document is attached hereto as **Exhibit "J"**.

20. On December 9, 2024, I had a call with Ms. Ozdemir to discuss Exro Technologies' ongoing and future efforts. During this call, Mr. Ozdemir reassured me that the partnership efforts with the OEM were progressing. Ms. Ozdemir also told me that the company's auditors, PricewaterhouseCoopers and BDO were auditing the valuation of SEA Electric. A copy of my notes from that call is attached hereto as **Exhibit "K"**.
21. On March 31, 2025, Exro Technologies reported its audited financial statements for the fiscal year ending December 31, 2024. Amongst other things, Exro Technologies reported that during the three months ending December 31, 2024, *i.e.* Q4 2024, it had taken an impairment charge of \$223,215,594 on the carrying value of its assets, representing a write down of goodwill of \$153,184,193, and \$70,031,401 of impairment on the intangible assets acquired from SEA Electric. Attached hereto as **Exhibit "L"** is a copy of Exro Technologies' Management Discussion and Analysis for fiscal year 2024 and Q4 2024.
22. The audited financial statements of Exro Technologies in relation to the fiscal year ending December 31, 2024, is attached hereto as **Exhibit "M"**.
23. In 2025, Exro Technologies continued to experience significant financial distress due to its significant liabilities and its inability to generate sustainable revenue. In the quarterly period ending June 30, 2025, *i.e.* Q2 2025, Exro Technologies reported net loss from continuing operations of \$81,713,475, compared to a net loss from continuing operations of \$22,805,476 during the comparable period in 2024. Exro Technologies explained that "The increase in net loss is primarily attributable to non-cash costs including \$48,497,784 impairment of intangible assets as well as depreciation and amortization of \$6,997,976 in the period. Additionally, interest expense of \$2,999,999, including \$2,140,696 accrued on the

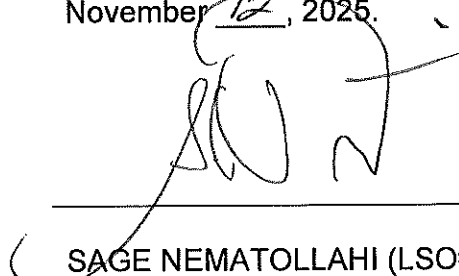
senior secured promissory notes and \$448,500 on the convertible debt were recognized, contributing to net loss for the period. The intangible assets and promissory note debt were acquired during the SEA Electric merger in the prior period." During Q4 2025, Exro Technologies took a further impairment charge of \$48,497,784. A copy of Exro Technologies' Management Discussion and Analysis for Q2 2025 is attached hereto as **Exhibit "N"**. A copy of Exro Technologies' interim financial statements for Q2 2025 is attached hereto as **Exhibit "O"**.

24. On September 8, 2025, Exro Technologies reported that Ms. Ozdemir had resigned as CEO of the company. Attached hereto as **Exhibit "P"** is a copy of Exro Technologies' news release titled "Exro Technologies Announces CEO Resignation, Appoints Chief Restructuring Officer," dated September 8, 2025.
25. On September 17, 2025, Exro Technologies reported that it had discontinued its U.S. business, and that it had been placed under a delisting review by the Toronto Stock Exchange. Attached hereto as **Exhibit "Q"** is a copy of Exro Technologies' news release titled "Exro Technologies Discontinues US Business," dated September 17, 2025.
26. During my interactions with the management of Exro Technologies, it became clear to me that Exro Technologies overvalue SEA Electric and overpaid for it. This was acknowledged by Mr. Bishop, who shortly after the closing of the merger transaction told me that Exro Technologies' majority shareholder, Vestcor Inc., forced the merger to manage its own investment in SEA Electric, which was experiencing financial difficulties. Although Exro Technologies' management continued to reassure me that Exro Technologies was positioned to pursue its intended growth path, this never happened and Exro Technologies unfortunately failed in the Fall of 2025.
27. I provide this evidence in support of the shareholder class action because I believe Exro Technologies has not been truthful in its public disclosures, and that it misled

its shareholders. I believe in fairness and integrity in capital markets, and believe proper disclosure of information to shareholders is imperative in order to foster a healthy and prosperous capital markets in Canada.

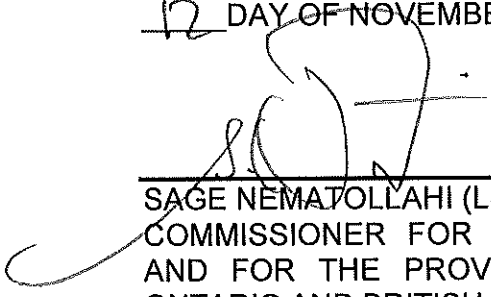
28. The disclosure documents of Exro Technologies identified above have been accessed and retrieved from SEDAR. The earnings call transcript with respect to Q2 2024 was accessed and retrieved from the website of Exro Technologies at exro.com. The earnings call transcript with respect to Q3 2024 was accessed and retrieved from exro.info, which I understand is an independent research website that has gathered the publicly accessible information concerning Exro Technologies.

**AFFIRMED** before me at the City of  
Toronto, in the Province of Ontario, on  
November 12, 2025.

  
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SAGE NEMATOLLAHI (LSO# 62311B;  
LSBC# 517627)  
COMMISSIONER FOR OATHS IN AND  
FOR THE PROVINCES OF ONTARIO  
AND BRITISH COLUMBIA

  
\_\_\_\_\_  
MAX TROJAN

THIS IS **EXHIBIT "A"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



\_\_\_\_\_  
SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

**Form 51-102F3**  
**Material Change Report**

**Item 1. Name and Address of Company**

Exro Technologies Inc. (the "Company" or "Exro")  
12 - 21 Highfield Circle SW  
Calgary, Alberta  
T2G 5N6

**Item 2. Date of Material Change**

January 29, 2024.

**Item 3. News Release**

A news release with respect to the material change referred to in this report was issued by the Company on January 30, 2024 through the facilities of a recognized newswire service and a copy was filed under the Company's profile on the System of Electronic Document Analysis and Retrieval+ (SEDAR+).

**Item 4. Summary of Material Change**

On January 30, 2024, the Company announced that Exro and SEA Electric Inc., a Delaware corporation ("SEA" or "SEA Electric"), have signed a definitive agreement (the "Merger Agreement") providing for the acquisition of SEA by Exro (the "Transaction").

The Merger Agreement contemplates the merger of eTruck VCU Acquisition Inc., an indirect subsidiary of the Company, with and into SEA, pursuant to which Exro Technologies USA Inc., a direct subsidiary of the Company, will acquire 100% of the issued and outstanding common shares and preferred shares of SEA from the holders thereof in consideration for the Company issuing to such holders common shares (the "Common Shares") and non-voting convertible preferred shares of Exro.

The Company also announced that it entered into an engagement letter with a syndicate of underwriters co-led by Canaccord Genuity Corp. and Eight Capital (collectively, the "Underwriters") pursuant to which the Underwriters have agreed to purchase, on a bought deal private placement basis, 31,600,000 subscription receipts of the Company (the "Subscription Receipts") at a price of C\$0.95 per Subscription Receipt for gross proceeds to the Company of approximately C\$30 million (the "Offering").

The Underwriters have also been granted an option on the Offering (the "Underwriters' Option"), exercisable in whole or in part on the same terms as the Offering, by no later than two business days before the closing date of the Offering, to issue up to an additional 21,100,000 Subscription Receipts for additional gross proceeds of up to approximately C\$20 million.

Upon closing of the Transaction, each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration and without further action, one (1) Common Share and, if any, a cash dividend equivalent payment on each such Common Share. If the Transaction does not close by June 30, 2024, the proceeds from the sale of the Subscription Receipts will be returned to the holders of such Subscription Receipts.

The Offering is expected to close on February 15, 2024, and is subject to certain conditions including, but not limited to, the receipt of all necessary corporate and regulatory approvals, including the approval of the TSX.

**Item 5.1 Full Description of Material Change**

See the news release of the Company attached as Schedule "A" hereto for a full description of the Transaction and the Offering.

In addition, see the investor presentation of the Company attached as Schedule "B" hereto.

The Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the exercise of the Underwriters' Option described in this material change report have not been and will not be registered under the *United States Securities Act of 1933, as amended* (the "U.S. Securities Act") or any applicable securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as such terms are defined in Rule 902 of Regulation S under the U.S. Securities Act) absent such registration or applicable exemption from such registration requirements. This material change report does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described herein.

**Item 5.2 Disclosure for Restructuring Transactions**

Not applicable.

**Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7. Omitted Information**

Not applicable.

**Item 8. Executive Officer**

John Meekison, Chief Financial Officer of the Company, is knowledgeable about the material change described above. His business telephone number is 520-705-7827.

**Item 9. Date of Report**

January 30, 2024

**SCHEDULE "A"**

**NEWS RELEASE**

See attached.



**NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR RELEASE, PUBLICATION, DISTRIBUTION OR DISSEMINATION DIRECTLY, OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES.**

**Exro Announces Merger with SEA Electric to Create Leading e-Mobility Technology Company and Concurrent C\$42 Million Capital Raise Transactions**

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- Complementary technologies driving significant synergy potential which provides a full scope solution with enhanced performance and reduced cost of ownership
- Multi-year commitments from Mack (Volvo) and Hino (Toyota)
- Targeting delivery of more than 1,000 propulsion technology systems to OEMs in 2024
- Concurrent C\$42 Million capital raise to fund capital expenditures, working capital, and general business requirements

**CALGARY, Alberta (January 30, 2024)** – Exro Technologies Inc. (TSX: EXRO, OTCQB: EXROF) (the “Company” or “Exro”) and SEA Electric Inc. (“SEA” or “SEA Electric”) announced today that they have entered into an agreement (the “Merger Agreement”) providing for the acquisition of SEA by Exro (the “Transaction”). This business combination is expected to strengthen Exro’s technology offerings while accelerating revenue growth and Exro’s path to profitability. Following completion of the Transaction, the combined company (the “Combined Company”) will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange (the “TSX”) under the ticker symbol “EXRO”.

“We are pleased to announce the merger between Exro and SEA Electric, which unites our complementary EV technology platforms and unlocks substantial opportunities for growth and path to profitability. Our merger with SEA not only creates significant revenue and cost synergies, but positions Exro to amplify its growth with new partners while continuing to develop our existing relationships. Having come to know SEA and its management team from doing business with them over the past several years, I have great confidence that this acquisition will bolster our competitive positioning in the EV technology space while providing significant value potential for our shareholders”, commented Sue Ozdemir, Chief Executive Officer of Exro.

**Compelling Strategic Rationale**

The Combined Company aims to accelerate and modernize electrification with a patented, blue chip validated technology platform. SEA Electric produces the SEA-Drive propulsion technology that controls all the components that electrify a vehicle. When integrated with the Exro Coil Driver™, the complementary technologies provide an end-to-end solution with enhanced performance and improved total cost of ownership for commercial vehicles. SEA’s technology has been validated by large blue chip OEM customers with multi-year commitments from Mack (Volvo) and Hino (Toyota). Together, Exro and SEA target delivery of more than 1,000 propulsion technology systems to these OEMs in 2024, with aggregate revenues forecasted to be more than C\$200 million for the calendar



year 2024. Combined with an asset-light business model focused on technology, these targets provide for a defined path to profitability within 12 months of completing the Transaction.

The Combined Company will bring Exro's next generation technology to the full spectrum of e-mobility platforms including passenger vehicles to large commercial trucks and beyond. Together, Exro and SEA will aim to secure the short-term with a strong order book while maintaining a continued focus on disruptive innovation with next generation electric motor and battery control technologies backed by more than 60 patents and patent applications.

Upon completion of the Transaction, Sue Ozdemir will remain as Chief Executive Officer, Tony Fairweather will join Exro as the Chief Product Officer, and Darrell Bishop will become Chief Financial Officer. The board of directors of the Combined Company will consist of up to nine members with Rod Copes serving as Chair and the remaining directors comprised of representatives from both Exro's and SEA's current boards of directors.

Rod Copes, Chairman of Exro's Board of Directors, added "Today marks the beginning of a significant new chapter in Exro's journey as we proactively and strategically lead the consolidation of the e-mobility sector. The Transaction secures first-mover advantage and the path to revenue is robust, backed by a strong leadership team committed to delivering to shareholders on the market opportunity."

SEA is a global e-mobility technology company founded in Australia in 2012 and now headquartered in the USA. After a multi-year, rigorous validation, the SEA-Drive propulsion technology was awarded a five-year contract from Mack for up to 5,000 propulsion systems, securing the contract based on superior performance and cost versus more than fifteen legacy and new competing technologies. Similarly, SEA secured a three-year agreement with Hino for up to 3,500 systems.

Tony Fairweather, Founder and Chief Executive Officer of SEA said "With OEM contracts in-hand and industrialization underway, SEA Electric will benefit greatly from this business combination. Exro provides the resources, capabilities and automotive systems that will ensure the successful execution of these important contracts, as well as offering complementary and differentiating technology in the form of its Coil Driver and Cell Driver. I am very excited about our combined future".

#### **Transaction Terms**

The Transaction values SEA Electric at approximately US\$300 million (C\$402 million). Exro will issue, based on Exro's weighted average common share price over the 10 trading days ending January 26, 2024 of US\$0.7680 per share (approximately C\$1.03 per share) (the "Reference VWAP"), a combination of common shares (the "Exro Common Shares") and non-voting convertible preferred shares (the "Exro Convertible Shares") to SEA stockholders.

Pursuant to the Merger Agreement, SEA stockholders will receive approximately 153.8 million Exro Common Shares and 168.7 million Exro Convertible Shares, on a non-diluted basis and excluding existing SEA shares held by Exro, resulting in total implied consideration issued to SEA stockholders of approximately US\$248 million (C\$332 million) (the "Consideration") in aggregate, based on the Reference VWAP. In addition, Exro will assume approximately US\$46 million (C\$62 million) in SEA net



debt as part of the Transaction. The Exro Convertible Shares will be convertible into Exro Common Shares on a one-for-one basis without payment of any additional consideration and upon the satisfaction of certain conditions.

Under the terms of the Merger Agreement, immediately following the closing of the Transaction, Exro shareholders will own an approximate 34.5% economic stake in the Combined Company and SEA shareholders will own an approximate 65.5% economic stake in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering (as defined below). Immediately following the closing of the Transaction, and prior to any conversion of Exro Convertible Shares into Exro Common Shares, current Exro shareholders will hold approximately 52.5% of the voting shares in the Combined Company and current SEA shareholders will hold approximately 47.5% of the voting shares in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering.

The Merger Agreement also contains customary representations, warranties and covenants, including non-solicitation covenants applicable to Exro and SEA.

The Merger Agreement may be terminated in certain specified circumstances, including: (i) if the Transaction is not consummated on or before June 30, 2024, (ii) the approval of the Exro shareholders is not obtained or (iii) if Exro's board of directors makes a change in recommendation or enters into an agreement in respect of a superior proposal. A termination fee of approximately US\$11.4 million (C\$15.3 million) is payable by Exro to SEA if the Merger Agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of approximately US\$11.4 million (C\$15.3 million) from SEA if the Merger Agreement is terminated in certain circumstances.

The foregoing summary is qualified in its entirety by the provisions of the Merger Agreement, a copy of which will be filed under Exro's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

#### **Transaction Closing, Required Approvals and Lock-up Provisions**

The Transaction is expected to close by the end of Q1 2024, subject to the of approval of Exro shareholders at a special meeting (the "Special Meeting") and other customary closing conditions. Details regarding the Special Meeting, including date and time and full details regarding the background to the Transaction and voting recommendations for Exro shareholders will be issued in due course. The Transaction must be approved by a majority of the votes cast by Exro shareholders at the Special Meeting.

In conjunction with the signing of the Merger Agreement, directors and officers of Exro have entered into customary voting support agreements pursuant to which they have agreed to vote their Exro Common Shares in favour of the Transaction. The Transaction has received the requisite approvals from SEA stockholders.

Pursuant to a lock-up provision contained in the SEA stockholders' agreement, all current holders of SEA common stock and SEA preferred stock are subject to certain restrictions on the sale or transfer of Exro Common Shares received pursuant to the Transaction, or through the conversion of Exro



Convertible Shares into Exro Common Shares, for a period of six months following closing of the Transaction.

### **Concurrent Capital Raise Transactions**

Concurrent with the Transaction, Exro will be raising an aggregate amount of approximately C\$30 million (US\$22 million) through the issuance of subscription receipts of Exro (the "Subscription Receipts"), prior to any exercise of the Underwriters' Option (as defined below). In connection with the Transaction and contemporaneous with the issuance of Subscription Receipts, SEA has also entered into arrangements to receive an aggregate of US\$9 million (C\$12 million) of debt financing (the "Debt Financing") from a Canadian pension fund manager (the "Debt Investor").

In respect of the Subscription Receipts, Exro has entered into an agreement (the "Engagement Agreement") with Canaccord Genuity Corp. and Eight Capital (collectively, the "Co-Lead Underwriters"), for and on behalf of a syndicate of underwriters (collectively, with the Co-Lead Underwriters, the "Underwriters"), for the issuance, on a bought deal basis of 31,600,000 Subscription Receipts at a price of C\$0.95 (US\$0.7082) per Subscription Receipt for aggregate gross proceeds to the Company of approximately C\$30 million (US\$22 million) (the "Offering"), prior to any exercise of the Underwriters' Option (as defined below).

The Underwriters have been granted an option on the Offering (the "Underwriters' Option"), exercisable in whole or in part on the same terms as the Offering, no later than two business days before the Closing Date (as defined below), to issue up to an additional 21,100,000 Subscription Receipts for additional gross proceeds of up to approximately C\$20 million (US\$15 million).

Upon closing of the Transaction, each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration and without further action, an Exro Common Share, plus an amount per Exro Common Share, if any, equal to the amount per Exro Common Share of any cash dividends declared by the board of directors of the Company on the Exro Common Shares to holders of record on a date during the period from, and including, the Closing Date (as defined below) to, but excluding, the date of the closing of the Transaction, net of any applicable withholding taxes. If the Transaction does not close by June 30, 2024, the proceeds from the sale of the Subscription Receipts will be returned to the holders of such Subscription Receipts. The Subscription Receipts will be governed by the terms of a subscription receipt indenture (or equivalent document) (the "Subscription Receipt Agreement") containing customary anti-dilution provisions for a transaction of the nature of the Offering.

The Offering is expected to close on February 15, 2024 (the "Closing Date"), and is subject to certain conditions including, but not limited to, the receipt of all necessary corporate and regulatory approvals, including the approval of the TSX.

The net proceeds from the Offering and from the sale of any additional Subscription Receipts pursuant to the exercise of the Underwriters' Option, if applicable, will be held in escrow pursuant to the terms of the Subscription Receipt Agreement and are intended to be used by Exro to support the business plan of the Combined Company, including but not limited to production, capital expenditures, working capital requirements, and normal course corporate and operating needs.



All securities issued in connection with the Offering are subject to a four-month and one day hold period in Canada, during which time the securities may not be traded.

The Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the Underwriters' Option will be offered by way of private placement in all provinces of Canada to investors who qualify as "accredited investors" under Canadian securities legislation or who are otherwise exempt from prospectus delivery requirements. Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the Underwriters' Option, if applicable, may also be sold in the United States to, or for the account or benefit of, U.S. Persons (as such terms are defined in Rule 902 of Regulation S under the *United States Securities Act of 1933, as amended* (the "U.S. Securities Act")) on a private placement basis pursuant to exemptions from the registration requirements under Rule 144A and/or Regulation D of the U.S. Securities Act, in a manner that does not require any of the securities sold pursuant to the Offering to be registered under the U.S. Securities Act or any applicable securities laws of any state of the United States. The Subscription Receipts issued pursuant to the Offering may also be sold in such other international jurisdictions in accordance with applicable law as the Company and the Underwriters may agree.

The terms of the Offering shall be subject to the provisions of a definitive underwriting agreement in respect of the Offering (the "Underwriting Agreement") to be entered into between the Company and the Underwriters, which Underwriting Agreement shall include, without limitation, the provisions set forth in the Engagement Letter as well as such representations, warranties, covenants, conditions, indemnities and termination provisions including standard disaster, material adverse change, material adverse legislation and material breach termination provisions that are usual for transactions such as the Offering.

The Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the exercise of the Underwriters' Option have not been and will not be registered under the U.S. Securities Act or any applicable securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent such registration or applicable exemption from such registration requirements. This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described herein.

#### **Advisors and Fairness Opinion**

National Bank Financial Inc. is acting as exclusive financial advisor to Exro. Stikeman Elliott LLP and Dorsey and Whitney LLP are acting as legal advisors to Exro.

Canaccord Genuity Corp. and Eight Capital are acting as financial advisors to SEA. Gibson, Dunn and Crutcher LLP and Blake, Cassels and Graydon LLP are acting as legal advisors to SEA.

In connection with the review and Consideration of the Transaction, Exro engaged National Bank Financial Inc. as its exclusive financial advisor. National Bank Financial Inc. has provided an opinion to the board of directors of Exro and a special committee of independent members of the board of



directors Exro formed to consider the Transaction that, as of the date hereof and based upon and subject to the assumptions, limitations and qualifications set out in its opinion, the Consideration is fair, from a financial point of view, to the Exro shareholders other than Vestcor Inc.

### **Shareholder Webcast**

Exro will host a shareholder livestream webcast to discuss the Transaction on January 30, 2024 at 10:00 AM (Mountain Time). To participate in the event please register [here](#).

### **About Exro Technologies**

Exro Technologies Inc. is a leading clean technology company that has developed new generation power control electronics that change how the world optimizes energy by expanding the capabilities of electric motors and batteries. The company's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less – minimum energy for maximum results.

For more information visit our website at [www.exro.com](http://www.exro.com).

To view our Investor Presentation visit us at [www.exro.com/investors](http://www.exro.com/investors).

Visit us on social media @Exrotech.

### **About SEA Electric**

SEA is a leading automotive and e-mobility technology company that provides 100% electric drivetrain system technology. SEA has a worldwide presence, deploying products in the USA, Canada, Australia, New Zealand, Thailand, Indonesia, India, and South Africa, collectively achieving more than three million miles of service via independent OEM-testing and real-world operation.

### **Contact Information**

Investor inquiries: [investors@exro.com](mailto:investors@exro.com)

Media inquiries: [media@exro.com](mailto:media@exro.com)

### **Cautionary Statement Regarding Forward Looking Statements**

This news release contains forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan",



"anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology.

Forward-looking statements are necessarily based on estimates and assumptions made by management in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as factors management believe are appropriate. Forward-looking statements may include but are not limited to statements respecting: the completion of the Transaction or the realization of the benefits thereof by the Combined Company; the terms and conditions of the Offering and the closing of the Offering; the receipt of all required regulatory and shareholder approvals of the Transaction and the Offering, including but not limited to the approval of the Transaction by the shareholders of Exro at the Special Meeting and the approval of the TSX; the timing and occurrence of the Closing Date; the ability of Exro and the Underwriters to enter into the Underwriting Agreement, on satisfactory terms or at all; all information regarding the Debt Financing, and the Company's (and following the Transaction, the Combined Company's) ability to commercialize its technology.

This news release also includes future-oriented financial information about future forecasted revenue of the Combined Company for calendar year 2024 that is not presented in the format of a historical balance sheet, income statement or cash flow statement, and which is based on assumptions about the closing of the Transaction, future economic conditions, courses of action and additional assumptions listed below (the "FOFI"). Actual results may differ from the FOFI in the news release. The FOFI is as of the date of this news release and has been included in this news release to assist readers in understanding the potential benefit of the Transaction in the Combined Company, and readers should be cautioned that the FOFI in this news release may not be appropriate for other purposes. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such FOFI necessarily involves known and unknown risks and uncertainties which may be outside of the Company's control, and which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such FOFI. These risks and uncertainties include but are not limited to risks associated with the Combined Company realizing on the perceived benefit of the completion of the Transaction, general economic conditions, adverse industry events, loss of markets, access to capital, and other factors listed below and in Company's most recent annual information form and MD&A.

These forward-looking statements and FOFI are based on the beliefs of the management of Exro and on assumptions which such management believes to be reasonable, based on information available at the time such statements were made. However, there can be no assurance that forward-looking statements and FOFI will prove to be accurate. Such assumptions and factors include, among other things: demand for the technology of the Company (and following the Transaction, the Combined Company); the Company's (and following the Transaction, the Combined Company's) ability to maintain existing partners and attract new partners; the impact of competition; the Company's (and following the Transaction, the Combined Company's) ability to obtain and maintain existing financing on acceptable terms; the Company's (and following the Transaction, the Combined Company's) ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management; volatility of stock price and market conditions; technology risks and risks associated with the commercialization of Company's (and following the Transaction, the Combined Company's)



technology; regulatory risks; the Company's reliance on key personnel; the Company's limited operating history; market uncertainties; the protection of patents and intellectual property; conflicts of interest; market competition; and operating in an environment subject to regulation.

The preceding list is not exhaustive of all possible factors. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors.

Please refer to the Company's annual information form and other public continuous disclosure documents filed with the Canadian securities regulators under its profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) for additional disclosure respecting the risks affecting the Company and its business.

Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. The Company does not undertake to update any forward-looking information, except as, and to the extent required by applicable securities laws.

Neither the TSX nor the Investment Industry Regulatory Organization of Canada accepts responsibility for the adequacy or accuracy of this press release.

**SCHEDULE "B"**  
**INVESTOR PRESENTATION**

See attached.

# Accelerating the Adoption of Electric Vehicles

Through Technology Driven Performance Improvements  
and Cost Reduction

JANUARY 2024



# Disclaimer

This presentation contains forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding Exro Technologies Inc.'s ("Exro" or the "Company") growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology.

This presentation also includes future-oriented financial information about prospective results of operations, financial position and cash flows that is not presented in the format of a historical balance sheet, income statement or cash flow statement, and which is based on assumptions about the closing of the Merger Transaction (as defined in this presentation), the future economic conditions, courses of action and additional assumptions listed below (the "FOFI"). Actual results may differ from the FOFI in the presentation. The FOFI is as of the date of this presentation and has been included in this presentation to assist shareholders in understanding their investment in the Company, and readers should be cautioned that the FOFI in this presentation may not be appropriate for other purposes. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such FOFI necessarily involves known and unknown risks and uncertainties which may be outside of the Company's control, and which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such FOFI. These risks and uncertainties include but are not limited to risks associated with general economic conditions, adverse industry events, loss of markets, access to capital, and other factors listed below and in Company's most recent annual information form and MD&A. Please refer to "Forecast Assumptions" in the Appendix for additional information about the assumptions made in preparing the FOFI contained in this presentation.

Forward-looking statements are necessarily based on estimates and assumptions made by management in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as factors management

believe are appropriate. Forward-looking statements may include but are not limited to statements respecting volatility of stock price and market conditions, successful completion of the proposed Merger Transaction and concurrent financing and anticipated timing of both, the financial forecast and projections, growth potential of the combined entity resulting from the Merger Transaction ("Exro-SEA"), the proposed reverse stock split, technology risks, and risks associated with the commercialization of Company's technology, regulatory risks, the Company's reliance on key personnel, the Company's limited operating, market uncertainties, and the protection of patents and intellectual property.

These forward-looking statements, which include the successful completion of the Merger Transaction and the concurrent financing as well as the ability of Exro-SEA to realize the anticipated technology, revenue and costs synergies are based on the beliefs of the management of Exro and on assumptions which such management believes to be reasonable, based on information available at the time such statements were made. However, there can be no assurance that forward-looking statements will prove to be accurate. Such assumptions and factors include, among other things: demand for the technology of the Company; the satisfaction of counterparties with the Company's testing results under various contracts to which the Company is party which are potentially subject to termination in the event of unsatisfactory results; and the Company's ability to maintain existing partners and attract new partners; the impact of competition; the Company's ability to obtain and maintain existing financing on acceptable terms; the Company's ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management; conflicts of interest and market competition; the ability to commercialize the Company's technology; and operating in an environment subject to regulation.

The preceding list is not exhaustive of all possible factors. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors

# Disclaimer

Please refer to the Company's annual information form and other public disclosure documents filed with the Canadian securities regulators under its profile at [www.sedar.com](http://www.sedar.com) for additional disclosure respecting the risks affecting the Company and its business.

The future-orientated financial information included in this document has been prepared by, and is the responsibility of, the Company's management. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the accompanying future-orientated financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Readers should not place undue reliance on the Company's forward-looking statements or the FOFI, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. The Company does not undertake to update any forward-looking information or the FOFI, except as, and to the extent required by applicable securities laws.

All references to dollar figures included herein are in CAD millions except per share amounts, unless otherwise indicated.

In addition to financial measures prescribed by Canadian generally accepted accounting principles for publicly accountable entities, being International Financial Reporting Standards ("IFRS"), certain non-IFRS measures are used in this presentation. Those measures include (i) "EBITDA", a financial measure equal to net income before finance costs, depreciation and amortization, loss (gain) on property and equipment, impairment, current and deferred income tax provisions and recoveries, and share-based compensation, and (ii) "Free Cash Flow", a measure determined by deducting development capital from funds from operations. Management of the Company considers free cash flow and EBITDA to be key measures to evaluate and segment corporate performance. EBITDA and Free Cash Flow are not earnings

measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, EBITDA and Free Cash Flow may not be comparable to similar measures presented by other issuers, including other companies that operate in businesses similar to the Company's business.

## Non-Solicitation

This is not an offer to sell or a solicitation of an offer to purchase securities of the Company. By agreeing to receive this presentation, you agree to be bound by the provisions of this disclaimer. Any subsequent offer to sell or solicitation of an offer to purchase securities of the Company will be made by means of offering documents (e.g., securities purchase agreement or similar documents (collectively, the "Offering Documents")) prepared by the Company or the seller of such securities for use in connection with such subsequent offer or solicitation and only in jurisdictions where permitted by law. In the event of a subsequent offer to sell or solicitation of an offer to purchase securities of the Company, purchasers should refer to the Offering Documents for more complete information. The attached material is provided for informational purposes only as of the date hereof, is not complete, and may not contain certain material information about the Company, including important disclosures and risk factors associated with an investment in the Company.



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# Disclaimer

This information does not take into account the particular investment objectives or financial circumstances of any specific person who may receive it. In the event of a subsequent offer to sell or a solicitation of an offer to purchase securities of the Company, more complete disclosures and the terms and conditions relating to a particular investment will be contained in the Offering Documents prepared for such offer or solicitation. Before making any investment, prospective purchasers should thoroughly and carefully review the Offering Documents with their financial, legal and tax advisors to determine whether an investment is suitable for them.

All information on SEA Electric Inc. ("SEA") in this presentation was provided to Exro by SEA, and such information has not been independently verified by Exro. Neither the Company nor any of its directors, officers, employees, agents, consultants or advisors makes any representation or warranty in respect of the contents of this corporate presentation or otherwise in relation to the Company, SEA or their respective businesses. In particular, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information or opinions contained herein, which have not been independently verified. No person shall have any right of action (except in case of fraud) against the Company or any other person in relation to the accuracy or completeness of the information contained in this corporate presentation. The information contained in this corporate presentation is provided as at the date hereof and is subject to amendment, revision and updating in any way without notice or liability to any party.

## Notice to United States Investors

The securities of the Company have not been and will not be registered under the United States Securities Act of 1933 (the "U.S. Securities Act"), or the securities laws of any state, nor is such registration or qualification contemplated. Securities may only be offered to and purchased by accredited investors (as defined in Rule 501(a) of Regulation D under the U.S. Securities Act), in reliance on the exemption from the registration requirement of the U.S. Securities Act provided by Rule 506(b) of Regulation D under the U.S. Securities Act and exemptions from applicable state securities laws. Any securities of the Company that are sold are subject to significant restrictions on transferability and resale. The securities of the Company may not be offered or sold within the United States unless registered under the

U.S. Securities Act and applicable state securities laws or unless an exemption from registration is available.

All purchasers of the securities of the Company will be required to execute a subscription agreement which will contain representations, warranties, covenants and agreements of the purchasers required by the relevant regulatory authorities and the Company to establish the availability of the relevant exemptions and to ensure compliance with applicable securities laws. This presentation is qualified in its entirety by reference to such subscription laws. This presentation is provided for informational purposes only as of the date hereof, is not complete, and may not contain certain material information about the Company, including important disclosures relating to the terms of an investment, risk factors associated with an investment in the Company, and fees and expenses.

Prospective investors should not construe the contents of this presentation as legal, tax, investment or accounting advice by the Company or any of its directors, officers, shareholders, agents, employees or advisors. Each party who reviews this presentation must make its own independent assessment of the Company and should consult with its own advisors regarding legal, tax, regulatory, financial and accounting consequences of an investment in the Company.

The presentation and its contents are confidential information contained in this presentation and is the property of the Company. It is made available strictly for informational purposes and should not be unduly relied upon. Purchasers should refer to the Offering Documents for more reliable information concerning the Company and the securities.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS COMMUNICATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

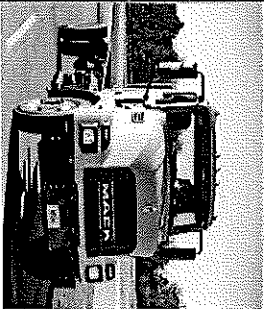
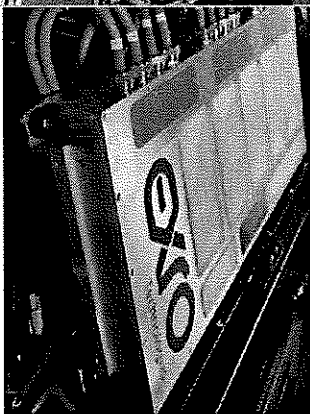
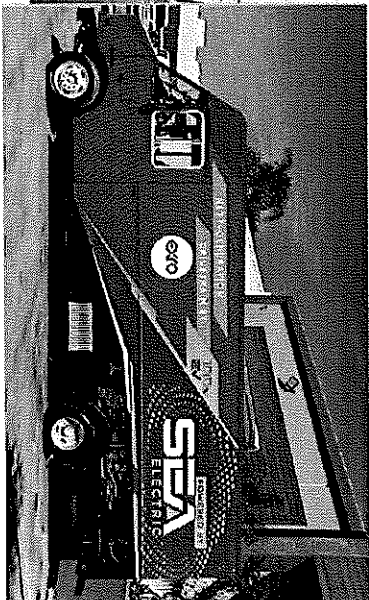
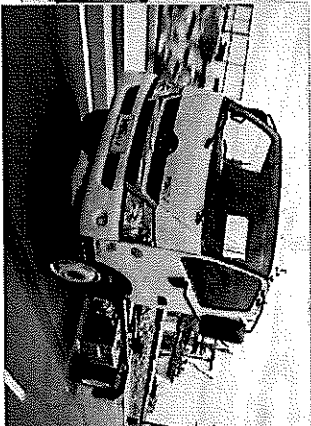
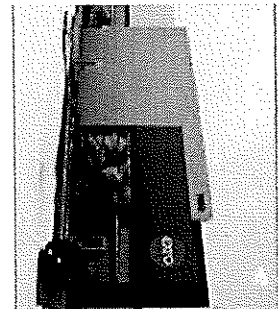
# THE PUSH ELECTRIFICATION NEEDS

Combining next generation technology with  
validated electrification

*The world is grappling with numerous  
challenges in the electrification transition,  
success hinges on our ability to execute*

# Exro + SEA: On the Forefront of Industry Consolidation

Capitalizing on Built Value to Accelerate Technology Deployment and Path to Profitability



## TECHNOLOGY SYNERGIES

- Full Propulsion System
- VCU
- Motor Control
- Battery Control

## OPERATIONAL SYNERGIES

- Industrial Process Expertise
- Core Product Partnerships
- Drive Innovative Energy Efficiency

## SHAREHOLDER VALUE CREATION

- Significant Revenue Increase
- Decreased Cost Base
- Accelerated Path to Profitability
- Expanded IP to Commercialize

Combining Next Generation Technology with Blue-Chip Partners

# Bridging the Gap to the Electrification Transition

Short- & Long-Term Synergies

EXRO	SEA ELECTRIC
DIFFERENTIATED TECHNOLOGY	NOVEL VCU TECHNOLOGY
DE-RISKED COMMERCIALIZATION PATH	PROVEN WITH BLUE CHIP OEM CUSTOMERS
READY FOR AUTOMOTIVE QUALITY MANUFACTURING	READY TO SCALE ASSEMBLY
BEGINNING ON-ROAD VALIDATION	3+ MILLION MILES DRIVEN

*Combination of Exro and SEA provides scalability and financing*

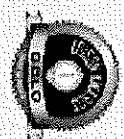
*Backed with proven technology today and differentiating technology for tomorrow*

# Exro Snapshot

Power Electronics Experts with Next-Generation Motor Control for e-Automotive

→ Next generation power electronics that expand the capabilities of electric motors and batteries

## CERTIFICATIONS & AWARDS

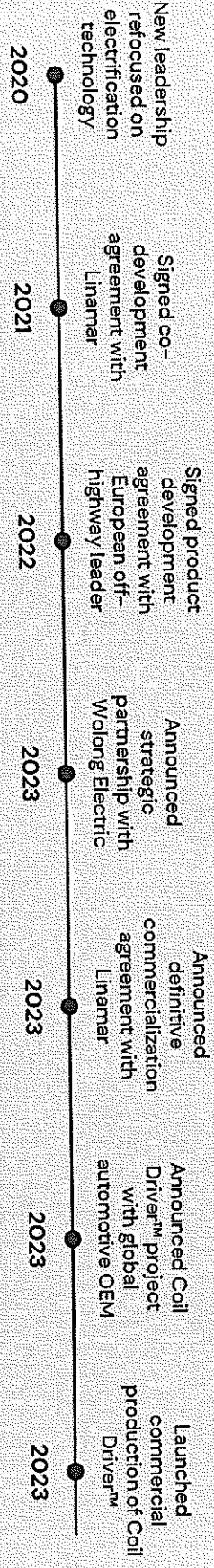


→ Award winning Coil Driver™ technology de-risked with 5+ years of R&D, independent testing, and successful customer integrations globally

- Electronic gearing that bridges the performance-cost gap in e-mobility
- Boost performance by up to 50%
- Reduce system cost by up to 20%
- Improve highway efficiency by up to 15%



→ Comprehensive intellectual property protection with 34 issued patents and 17 pending applications



# SEA Snapshot

Propulsion System Experts with Proven Results Validated by Major OEMs

→ SEA-Drive® propulsion technology controls all components that electrify a vehicle, constantly adjusting to optimize battery & vehicle performance

→ Proprietary technology de-risked with more than 3 million real-world miles delivering:

- Offering OEMs a capital-efficient solution versus the significant cost and time investment to produce in-house
- Quicker time-to-market allows OEMs to meet customer demands and emissions targets
- Fully integrated and adaptable solution leads to improved production efficiency

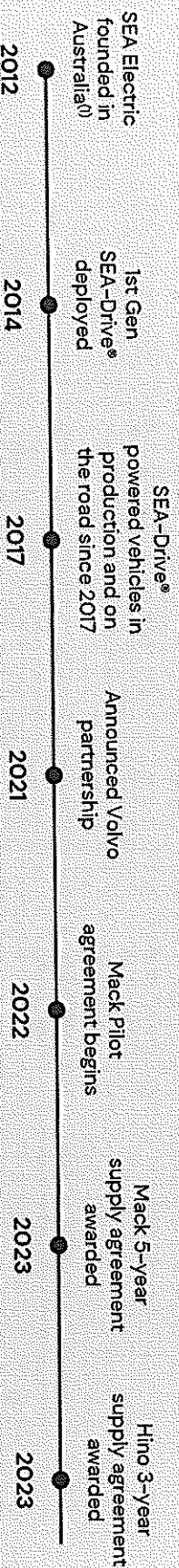
→ Patent technology granted across 14 jurisdictions, including US, Canada, Australia, China, Japan and the EU

## ORDER PIPELINE

~5,000  
Class 6-7 Vehicles



~11,000+  
Class 4-7 Vehicles



<sup>1</sup> SEA was rededicated to the United States in 2022



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# Transaction Overview

## THE OPPORTUNITY

- Exro Technologies ("Exro") and SEA Electric ("SEA") are engaged in planning a transformational business combination (the "Merger Transaction")
  - Merger Transaction to take form of a 100% all-share exchange with the pro forma entity to remain publicly traded on the TSX (EXRO)
- In conjunction with the Merger Transaction, the combined entity ("Exro-SEA" or the "Company") will aim to raise \$50M (US\$37M) to fund the next leg of executing the commercialization of its technology solutions
  - Private placement of subscription receipts for common shares in pro forma Exro-SEA
  - Lead order from a Canadian institutional investor
  - Upon consummation of the Merger Transaction, Exro-SEA is contemplating a reverse stock split



**Technology Synergies:** Combination of complementary EV technology platforms to drive enhanced cost structure and increased market share



**Revenue Synergies:** Shared access to major OEM customers with firm demand ready to execute in Q1 2024



**Cost Synergies:** Headcount consolidation, supply chain negotiations for economies of scale and improved capital utilization – targeting \$47M in 2025 (US\$35M)

Notes: USD figures converted to CAD at a USD/CAD FX rate of 1.3419.



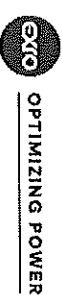
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# Transaction Overview

## TRANSACTION SUMMARY

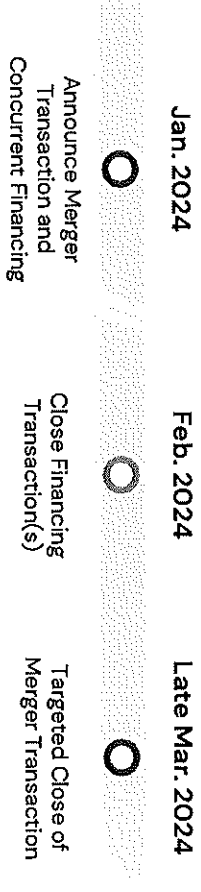
Assuming \$50M (US\$37M) Financing		C\$M	US\$M
SEA Equity Purchase Price	\$341		\$254
SEA Debt	\$70		\$52
SEA Cash on Hand	(\$8)		(\$6)
SEA Acquisition TEV	\$402		\$300
Share Price <sup>(1)</sup>	\$111/sh		\$0.83/sh
F.D Shares Outstanding		552.5 MM	
Pro Forma Market Cap	\$613		\$457
Pro Forma Net Debt <sup>(2)</sup>	\$57		\$42
Pro Forma Enterprise Value	\$670		\$499
EV / 2024E Revenue		3.0x	
EV / 2025E Revenue		1.6x	

1. Based on Exro spot share price of \$111/share as of January 29, 2024, USD/CAD FX rate of 1.3418.  
2. Net debt represents C\$70 MM of SEA debt and leveraged Exro-SEA cash of C\$13 MM as of March 2024 and inclusive of the offering proceeds.  
3. Reflects the cancellation of Exro's existing ownership in SEA.








Pro Forma F.D Ownership <sup>(3)</sup> (Excluding Equity Financing Investors)		Ownership (MM shares)   (%)	
Exro Voting Shares	172.6		35%
SEA Voting Shares	156.1		31%
SEA Non-Voting Shares	171.1		34%
Total Exro-SEA Shares O/S	499.8		100%

## TRANSACTION MILESTONES



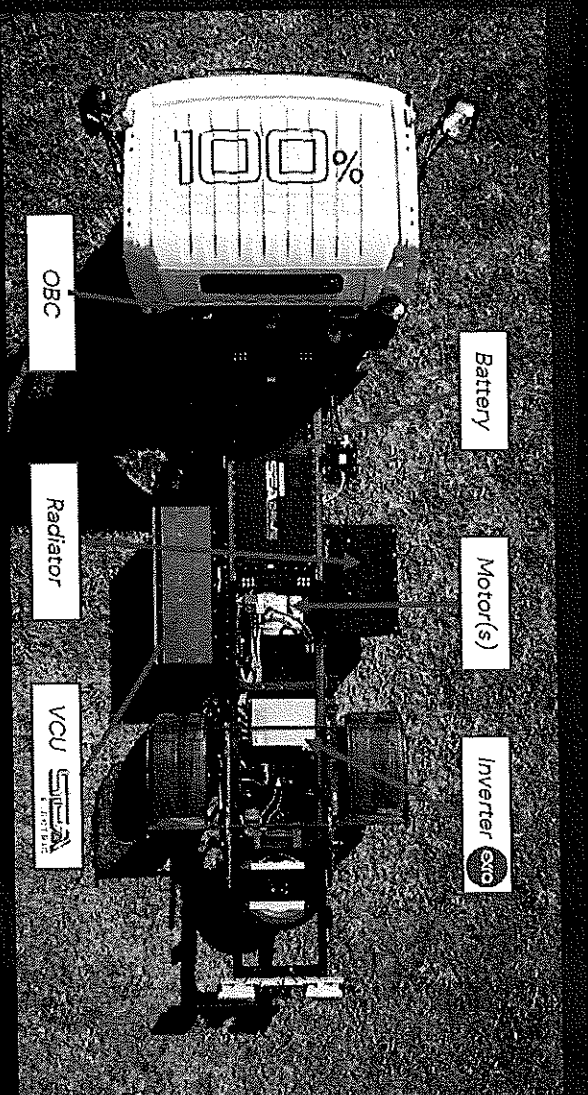
# Pro Forma Highlights

	Disruptive complimentary technology that accelerates electrification by reducing system cost and improving total cost of ownership
	First mover advantage from validated technology with blue chip OEMs delivering immediate 2024 revenue and additional opportunities for growth
	Execution efficiency enabling a defined path to profitability in 12 months <sup>(1)</sup>
	Substantial upside from continued focus on innovation into e-transition market verticals
	Strong leadership team which brings deep proven experience in automotive and technology commercialization

1. Following assumed close of March 31, 2024.

# Electrification 101 – Controlling Everything That Electrifies a Vehicle

A Readily-Scalable Fully-Integrated Technology Solution



- Battery is the fuel tank
- Motor(s) does the work
- Inverter + VCU are the brain of the system, controlling the flow of energy between the individual components in the power system
- Driver turns the key which sends a signal to the VCU to allow voltage to flow from the battery to auxiliary equipment
- Driver steps on accelerator a signal is sent to the inverter (Coil Driver™) to "invert" DC voltage from the battery to AC voltage for the electric motors, which turns the wheels

# Modernizing Electrification with a Proven Technology Platform

Leading the Electrified Consolidation with Highly Complementary Technologies

## WHAT WE DO

### Patented Technology Solution

- Exro patented Coil Driver™ inverts voltage from the battery to motor and enables electronic gearing that drives down the overall system cost by eliminating dependency on mechanical solutions
- SEA patented SEA-Drive® software combined with novel validated electrification kit provides proven system efficiency and optimizes the electrification of all components in the vehicle
- Fully integrated solution offers cost effective best in class performance

**60+**

Software and hardware patents and patent applications, complemented by deep trade secrets portfolio

## HOW WE DO IT

### Capex-Light Model

- Partnerships with OEM approved contractors to integrate technology
- Co-marketing with dealerships to support Electrification Ecosystem including OEM financing, charging infrastructure and support
- Path to profitability achieved through synergies in resources and facilities

Combination of Exro-SEA provides 12-month path to profitability

Line of sight to profitability

**2025**

Estimated to achieve positive EBITDA and FCF

## WHY WE DO IT

### Validated with Blue Chip Customers

- Strong pipeline supported by orders backlog for 2024
- Proven year-over-year growth
- 2024 launch for two major OEM contracts with Mack/Volvo and Hino/Toyota
- 2025 continued growth backed by expanding agreements and launch of Tier 1 partnerships with Linamar and Tier 1 motor OEMs



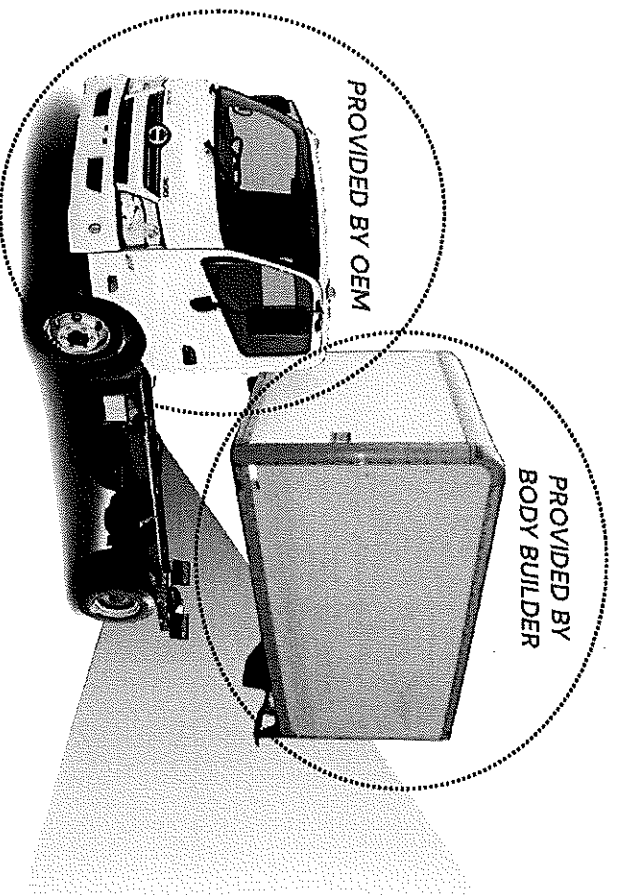
Industry-leading

**3 Million+**

Real-world miles driven on the SEA-Drive®

# Technology-Based Solution

Core Power Electronics and Software Manufactured In-House While High-Capital/Low-Margin Manufacturing and Assembly is Completed Off-Site Through OEM Partnerships



## COMPLETE NEXT GEN POWER SYSTEM PROVIDED BY EXRO



### SEA-DRIVE® PROPULSION SYSTEM

- Controls all components, constantly adjusting to optimize battery & vehicle performance
- Includes battery pack, motor, inverter, heating and cooling systems, power system, braking system, telemetry



### COIL DRIVER™ MOTOR CONTROL

- Inverter – converts voltage between motor and battery and controlling overall performance of the vehicle



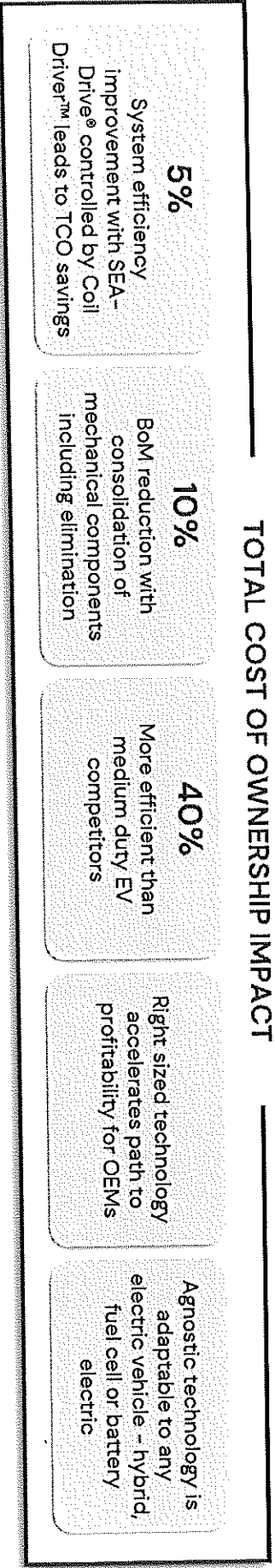
### VEHICLE CONTROL UNIT (VCU)

- The VCU module contains the software that communicates with the inverter and controls power distribution between all components that electrify a vehicle

**Exro-SEA's Complete Electrified Propulsion System (Integrated Components and Software)**  
**... Creates a Step Change in Electrification**

# Significantly Reduced Ownership Cost for Commercial Operators

Proprietary Technology That Delivers Best-in-Class Power System Efficiency (<0.7kwh/mi), Performance (Torque and Gradeability), Weight, and Customer Total Cost of Ownership ("TCO")



☒ **Commercial Vehicles:** A truck powered by our propulsion system, provides the ability to achieve on average > US\$10,000 savings per vehicle. Based on the number of Volvo Trucks sold in 2022, that would equate to >US\$50M

☒ **Passenger Vehicles:** A car equipped with Coil Driver™ will see greater system efficiency and drive down rare earth metal utilization. Reduced battery pack size would save ~US\$700/vehicle, equating for Tesla Model Y in 2022 to >US\$500M

☒ Real world driving conditions that offer unparalleled electric performance in a competitive packaging

# De-Risked Technology Validated by Blue Chip Customers

Established Distribution Network with Multi-Year Customer Contracts That Will Accelerate Technology Adoption



**SEA – Mack**  
5-year agreement  
Up to 3,500 units annually



**SEA – Hino**  
3-year agreement  
Up to 5,000 units annually



**Exro – Tier 1**  
5-year agreement  
Deliveries expected late 2024

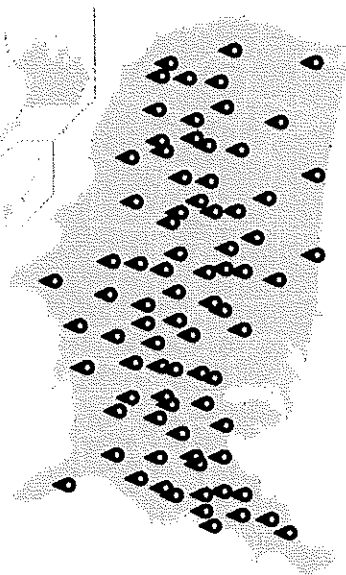


**Both – Other**  
Small Fleets  
Tier 1 Motor Suppliers



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## OUR BLUE CHIP CUSTOMER DISTRIBUTION NETWORK



**Mack / Volvo** → 300+ Locations  
→ 40+ Electric Certified

**Hino** → 200+ Locations

**Small Fleets** → MTE, UPS, APAC

## IT'S NOT IF, IT'S WHEN

Last year, Mack's MD – available in Class 6 and 7 configurations – captured 5.5% of the Canada/U.S./Mexico medium-duty market, Randall said. It's on pace to capture the same market share this year. Mack executives anticipated it would take 60 months to reach the market share it attained in just two years. "It turned out to be a versatile truck," Randall said. "Mack dealers, being who they are, will try to Mackify anything."



Jonathan Randall, President

"Exro came to us with a unique solution for our electric drive program that we believe is a step in the right direction for accelerating the adoption of electric vehicles. This integrated design can pave the way for cost-effective and high-performing electric propulsion systems that are essential to scale the transition to electric mobility."



Linda Hasenfratz,  
Chief Executive Officer

# Path to Profitability

## Forecast Underpinned by Existing Facilities

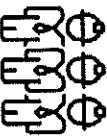
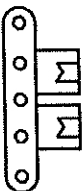
- 25 propulsion systems delivered in month of January 2024 to Mack
- Ready to scale with established "next-door" OEM approved contract assembly partner facilities, reducing otherwise significant capex and logistics costs
- Recognizing technology synergies beginning in H2 2024 with the integration of Coil Driver™ technology into all SEA propulsion systems













READY-TO-SCALE ASSEMBLY PROCESS

1  
Assembly Line

8 hr  
Per Shift

13  
Power Systems Per Week / Per Facility





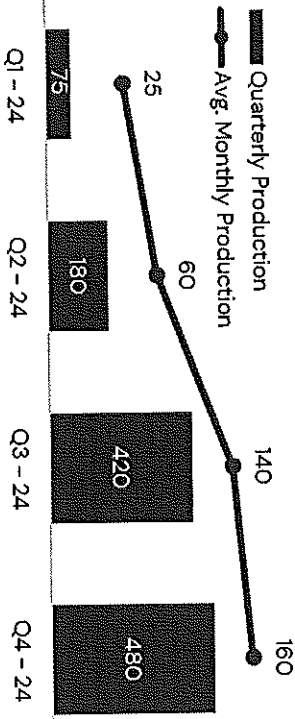
Opportunity to scale number of assembly lines

Opportunity to increase number of shifts

~2,400/yr

power systems capacity from two existing facilities (based on two shifts per facility)

ILLUSTRATIVE 2024E POWER SYSTEM DELIVERY RAMP UP



Quarter	Quarterly Production	Avg. Monthly Production
Q1 - 24	75	25
Q2 - 24	180	60
Q3 - 24	420	140
Q4 - 24	480	160

✓ Achieved 25 deliveries in Jan. 2024

→ Q1/Q2: Ramp up to full capacity with 1 shift / 1 line per facility

→ Q3: Add second shift and set up second line

→ Q4: Ramp up to full capacity with 2 shifts / 2 lines per facility

Ramping For Success

2024 Budget Fully Supported by Capacity at Existing Facilities

**EXO** OPTIMIZING POWER

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# Efficient Operational Execution

Contracted 2024 Unit Projections Coupled with Right-Sizing Operating Base Drives Profitability

- 2024 is an inflection year for revenue growth with near-term revenue growth supported by firm orders from marquee OEMs
- A capital efficient business model, growing revenue and realizing cost synergies deliver a path to profitability in the near-term
- Certain friction costs will be incurred to realize full cost savings that support cash flow positive position in 2025

Contracted 2024E order volume represents >\$200M (US\$150M) in combined revenue underpinned by 1,150 Mack and Hino/Toyota SEA-Drive® system volume

## IMPLEMENTING COST SYNERGIES

Consolidated Team	→ Eliminate overlapping workforce and reduced headcount	2024E: \$20M+ (US\$15M)
Efficiencies in Supply Chain	→ Targeting G&A cost savings of \$13M+ (US\$10M+) in 2024E and ~\$27M (~US\$20M) in 2025E	2025E: \$47M (US\$35M)
	→ Negotiating leverage over supplies to improve costs (i.e., motors, etc.)	
	→ Targeting BOM / supply chain savings of \$7M (US\$5M) in 2024E and ~\$20M (~US\$15M) in 2025E	
Information Technology	→ Streamlined internal process and integration of operational best practices	
Facilities	→ Closure or consolidation of redundant locations	
Sales and Marketing	→ Reduced marketing costs, fees, and other SG&A due to shared efforts	

Note: Please refer to disclosures on slides 2, 3, and 4 relating to FCF and forward-looking estimates, including the risks associated with not meeting contracted volume targets. USD figures converted to CAD at a USD/CAD FX rate of 1.3415.

# Forecast Summary

Commercial operations commenced in Q4 2023

All figures in C\$ millions<sup>(1)</sup>

	2023	1H 2024	2H 2024	2024	2025
Revenue	\$25.0	\$49.5	\$171.9	\$221.4	\$420.6
% Annual Growth	n.m.f	n.m.f	n.m.f	n.m.f.	90%
Cost of Goods Sold	(\$21.3)	(\$41.5)	(\$131.6)	(\$173.1)	(\$296.6)
Gross Profit	\$3.7	\$8.0	\$40.3	\$48.3	\$123.9
% Margin	15%	16%	23%	22%	29%
EBITDA	(\$69.4)	(\$27.7)	\$4.3	(\$23.4)	\$48.5
% Margin	n.m.f.	(56%)	2%	(11%)	12%
Change in NWC		\$7.7	(\$21.4)	(\$13.7)	(\$11.0)
Capital Expenditures		(\$2.6)	(\$3.3)	(\$5.9)	(\$6.7)
Other		(\$1.7)	(\$0.0)	(\$1.7)	(\$4.7)
Free Cash Flow		(\$24.3)	(\$20.5)	(\$44.8)	\$26.1

## KEY HIGHLIGHTS

- Significant revenue growth with focus on Mack and Hino deliveries
- Additional upside from potential revenue synergies NOT included in forecast
- Capital light model supported by leveraging OEM manufacturing lines
- Working capital investment of ~\$27M (US\$20M) required to hit profitability, largely comprised of inventory

12-Month Runway to Achieving Profitability in 1H 2025, Underpinned by a Strong Backlog of Contracted Orders

Note: Underlying assumptions can be found on page 28 in the appendix. Please see relevant disclosures on FCF and non-GAAP disclosure on pages 2, 3 and 4.  
 1. USD figures converted to CAD at 6 USD/CAD FX rate of 13.45

# Exro-SEA Management and Operations Team

## Experienced in Developing Technology and Converting Into Commercial Use

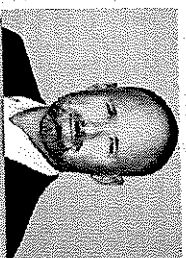


**Sue Ozdemir**  
Chief Executive Officer

- Led Exro for the past ~5 years to become a leading, commercial power electronics company
- Former CEO of GE's Small Industrial Motors Division - General Electric (NYSE: GE) – responsible for building the division into a highly-profitable \$160mm enterprise
- Proven leader in innovation and manufacturing of electric motors
- Highly-regarded by capital markets, supported by her successful capital raising efforts (~\$100M of bought financings)

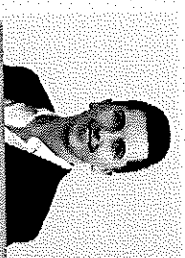


**WOLONG**  
Electric Motor Division



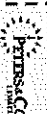
**Tony Fairweather**  
Chief Product Officer

- Founder and CEO of SEA Electric since 2012
- 17+ Years in the commercial vehicle / transportation logistics industry
- Proven leader in commercial vehicle industry supported by developing key relationships with global, industry leading companies



**Darrell Bishop**  
Chief Financial Officer

- 12+ years in investment banking and capital markets
- Led commercial and investment development and execution over the past 2 years with Exro
- Proven executor in corporate finance roles and capital markets, combined with deep industry relationships



### ADDITIONAL SENIOR LEADERSHIP

- Senior leadership with a proven track record of developing and commercializing technology, focused on execution:
- Eric Hustedt (technology / innovation)
  - Joe Greenley (engineering)
  - Simon Strawbridge (manufacturing / operations)
  - Dave Whelan (manufacturing / operations)
  - Mike Menyhart (commercial)
  - Nathan Copeland (systems engineering)

Pro forma Board of Directors to be comprised of up to 9 members, with Rod Copes serving as Chairman and the remaining members comprised equally of representatives from Exro and SEA



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# First 90 Days: Targets Post Deal Close

## KEY H1 2024 CATALYSTS

- ✓ Execution: Deliver 250+ propulsion technology systems in the first 90 days
- ✓ Significant synergy potential based on 20% G&A rightsizing in H1 2024
- ✓ First co-integration partner bringing Coil Driver™ into Hino / Mack systems
- ✓ Supply chain optimization resulting in immediate 5% BOM reduction to drive profitability
- ✓ Additional upside from incremental major partnership announcements
- ✓ Continued innovation with pilot for Class 8 application that increases market share with disruptive tech solution

# Investment Summary

## Exro + SEA: Consolidation modernizes electrification with proven technology platform

→ Highly complementary technology offerings that utilize power electronics hardware and software solutions, bridging the performance-cost gap to drive EV adoption

## Asset-light business model that disrupts the e-mobility space

→ Core power electronics and software manufactured in-house while high-capital/low-margin manufacturing and assembly is completed off-site through OEM partnerships

## Technology platform de-risked through extensive 3<sup>rd</sup> party testing, real-world miles and ready to accelerate commercialization

→ Exro award winning Coil Driver™ technology de-risked with 5+ years of R&D, independent testing and customer integrations; SEA-Drive® validated with 3M+ real-world miles driven

## Delivering revenue with blue-chip OEMs which provide unique leverage through ecosystem of distribution networks

→ Initial partner network includes major commercial vehicle OEM's and Tier-1's Volvo/Mack, Toyota/Hino, Linamar, Wolong and others

## Defined path to profitability backed by multi-year demand and strong backlog

→ Projected cash flow and EBITDA profitability within ~12 months of closing, with visibility through 2026 of 10,000+ projected units with existing customer agreements only

## Substantial upside from continued focus on innovation into e-transition market verticals

→ Near-term R&D pipeline ripe for commercializing – AC fast-charging, induction motor

Notes: USD figures converted to CAD at a USD/CAD FX rate of 1.2415.

1. Reflects the full \$50 MM offering less financing fees of \$2 MM and \$12 MM (US\$9 MM) in new convertible debentures.

2. Reflects ownership prior to potential participation in offering.



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## USES OF PROCEEDS

	CSM	US\$M
Exro Convert Offer for Repayment	\$15	\$12
Transaction & Integration Costs	\$24	\$18
Working Cap & Operating Losses	\$17	\$12
Capex Requirements	\$3	\$2
<b>Total Uses of Funds<sup>(1)</sup></b>	<b>\$59</b>	<b>\$44</b>

## ILLUSTRATIVE PRO FORMA OWNERSHIP

	Shares (Millions)		% of Total
	Voting	Non-Voting	
Tony Fairweather	41.4	45.4	16%
Other SEA Insiders	47.2	51.8	18%
<b>Total SEA Insiders</b>	<b>88.6</b>	<b>97.1</b>	<b>34%</b>
Vestor <sup>(2)</sup>	29.4	15.6	8%
Handelsbanken	8.7	-	2%
Other Exro Shareholders	148.7	-	27%
Other SEA Shareholders	53.2	58.5	20%
Financing Investor(s)	52.6	-	10%
<b>Total PF Shares O/S</b>	<b>381.3</b>	<b>171.1</b>	<b>100%</b>
	<b>Shares</b>	<b>% of Total</b>	
Exro Voting Shareholders	172.6	31%	
SEA Voting Shareholders	156.1	28%	
SEA Non-Voting Shareholders	171.1	31%	
New Investor(s)	52.6	10%	
<b>Total PF Shares O/S</b>	<b>552.5</b>	<b>100%</b>	

Major shareholders and insiders of SEA as well as directors and officers of Exro will enter into a lock-up agreement

# Thank you



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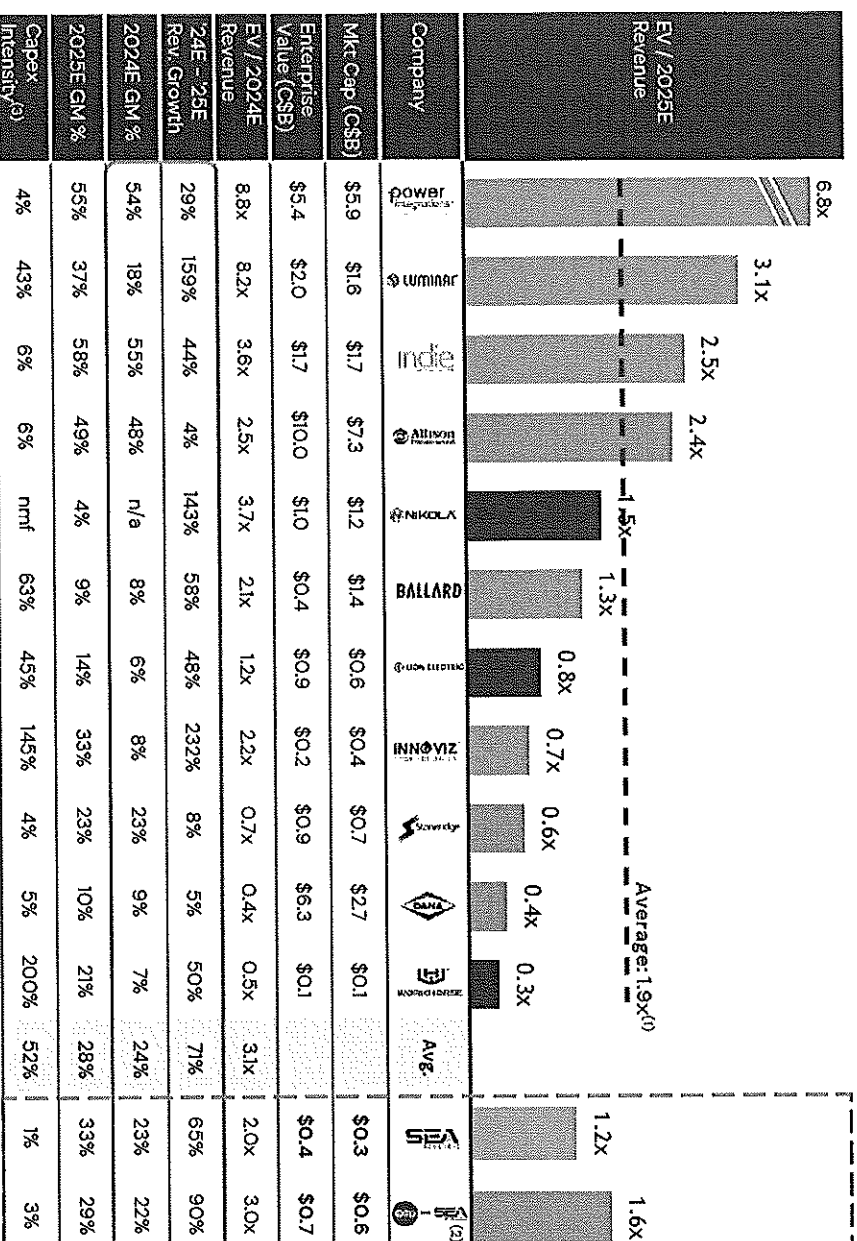
## APPENDIX

# Supplementary Materials



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# Comparable Public Peer Analysis



Source: Capital IQ and other publicly available information.  
Note: Information as of January 29, 2024. All dollar figures in CAD. Figures calculated to December 31st and  
1. Simple average reflecting the sum of peer multiples divided by the number of peers in the respective category.

2. Valuation is based on an Exro share price of C\$11.14 as of close January 29, 2024.  
3. Capex intensity for peer group based on LTM capex as a % of LTM revenue and Exro and SEA based on 2024E capex as a % of 2024E revenue.

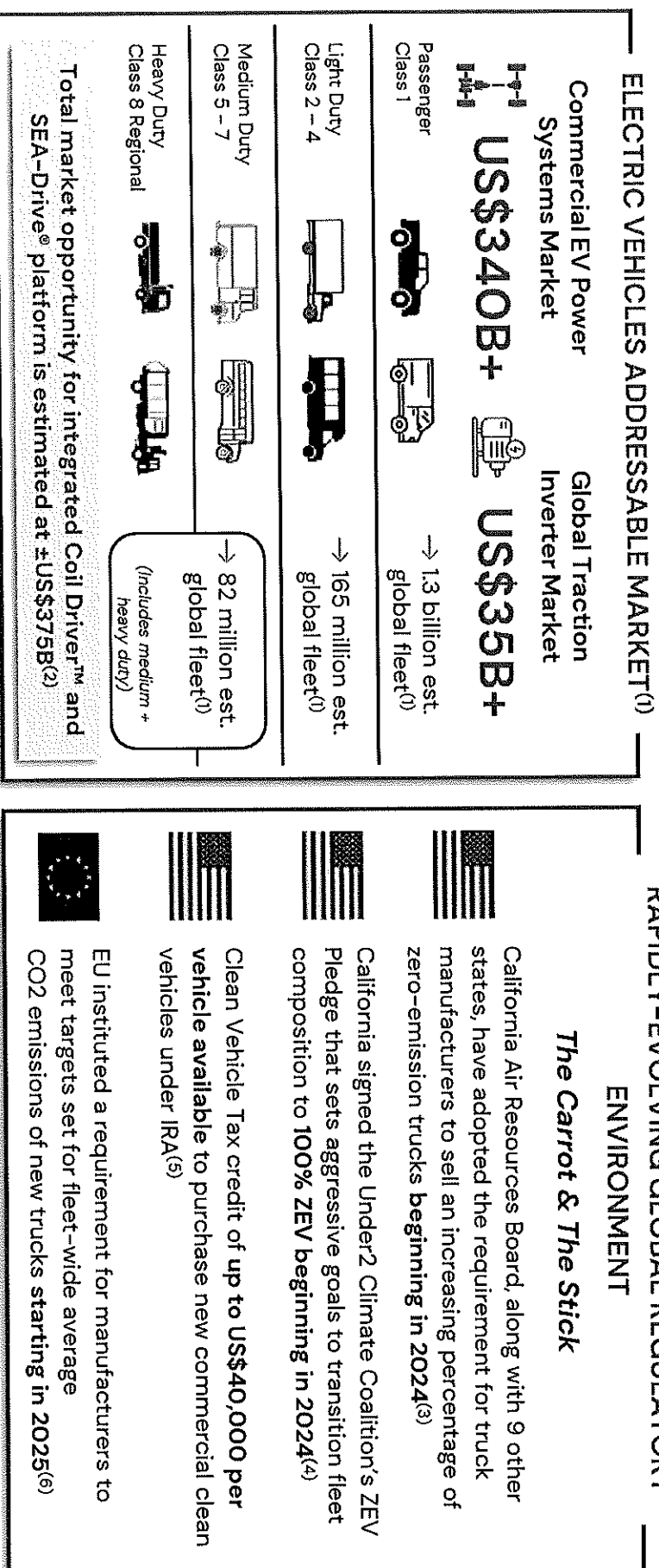
**EXO OPTIMIZING POWER**

Category	Avg. EV/Revenue Multiples	
	2024E <sup>(1)</sup>	2025E <sup>(1)</sup>
Commercial EV OEMs	1.8x	0.9x
EV and Electronics Components	5.0x	2.9x
Vehicle Component & Power Electronics	12x	1.1x
Global Average	3.1x	1.9x

## OBSERVATIONS

- Pro forma EV/2025E revenue at 1.6x compared to peers at 1.9x
- Pro forma EV/2024E revenue at 3.0x compared to peers at 3.1x
- Exro '24E - '25E revenue growth estimated at ~90% compared to peers at ~70%
- Exro 2024E gross margin estimated at 22%, in-line with peers at 24%
- Exro 2024E capex intensity estimated at 3%, compared to peers at 52%

# Large TAM Opportunities Supported by Secular Tailwinds



1. Bloomberg NEF Electric Vehicle Outlook 2023.  
 2. Based on selling price of SEA-Drive systems and Coil Driver systems multiplied by the projected 2028 annual unit sales of light and medium duty commercial vehicles and buses as per Bloomberg NEF Electric Vehicle Outlook 2023.  
 3. California.gov, "Advanced Clean Trucks: Fleet Street," August 20, 2021.  
 4. U.S. Department of Energy.  
 5. As per summary of Inflation Reduction act filed on demerq.com/paragov on August 11, 2022.  
 6. Regulation (EU) 2019/1242, June 2019.



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# Forecast Assumptions

Volume & Revenue	<ul style="list-style-type: none"> <li>→ Revenue of \$221M and \$421M in 2024E and 2025E, respectively, underpinned by near-term projected sales volumes backed by current purchase orders</li> <li>→ Exro forecast to generate \$82M in 2025E (\$17M in 2024E) largely driven through Coil Driver™ sales of 10.6k units in 2025E (1.2k units in 2024E)</li> <li>→ SEA forecast to generate \$340M in 2025E (\$205M in 2024E) largely driven through SEA-Drive kit sales of 2.0k units in 2025E (1.2k units in 2024E)</li> </ul>
Gross Margin	<ul style="list-style-type: none"> <li>→ Gross margin forecast to increase from 22% in 2024E to 29% in 2025E</li> <li>→ Expected reduction in direct costs, specifically relating to per-unit BOM costs of 14-18% in 2025E</li> </ul>
SG&A & EBITDA	<ul style="list-style-type: none"> <li>→ EBITDA margin expansion in 2025E due in part to forecast revenue growth</li> <li>→ Headcount expected to grow by ~20 FTE between 2024E and 2025E</li> <li>→ All other operating expenses forecast as a % of revenue or by a year-over-year growth rate, as appropriate and based on the nature of expense</li> <li>→ Identified synergies of \$20M+ in 2024E and ~\$47M in 2025E, as described below</li> </ul>
Working Capital	<ul style="list-style-type: none"> <li>→ Forecast using days assumptions consistent with run-rate terms and requirements, specifically:</li> <li>→ Exro: 65 days DSO, 50 days DIO, and 30 days DPO</li> <li>→ SEA: 10 days DSO (primarily reflecting Mack and Hino terms), 60 days DIO, and 35 days DPO</li> </ul>
Capex	<ul style="list-style-type: none"> <li>→ Capital light model with \$6M forecast in 2024E and ~\$7M in 2025E (representing ~2-3% of revenue) to reflect any capital requirements outside of ability to leverage OEM manufacturing lines</li> </ul>
Synergies	<ul style="list-style-type: none"> <li>→ G&amp;A cost savings of \$14M+ in 2024E and ~\$27M in 2025E</li> <li>→ BOM / supply chain savings of \$7M+ in 2024E and ~\$20M in 2025E</li> </ul>

(Note: Please see relevant disclosures on POF and non-GAAP disclosure on pages 2, 3 and 4. USD figures converted to CAD at a USD/CAD FX rate of 1.3415.

## Additional Forecast Details

All figures in C\$ millions <sup>(1)</sup>					
	FY 2023 PF	1H 2024	2H 2024	FY 2024	FY 2025
EBITDA	(\$69.4)	(\$27.7)	\$4.3	(\$23.4)	\$48.5
Depreciation & Amortization	(\$4.0)	(\$4.7)	(\$6.9)	(\$11.6)	(\$14.4)
EBIT	(\$73.4)	(\$32.4)	(\$2.7)	(\$35.1)	\$34.1
Interest Expense	(\$7.4)	(\$2.0)	(\$4.2)	(\$6.2)	(\$9.1)
Other Expenses <sup>(2)</sup>	(\$1.7)	-	-	-	-
Income Tax <sup>(3)</sup>	-	-	-	-	-
Net Income	(\$82.5)	(\$34.4)	(\$6.9)	(\$41.2)	\$25.0
Net Working Capital					
Accounts Receivable		\$3.2	\$12.3	\$12.3	\$25.0
Inventory		\$9.7	\$35.2	\$35.2	\$43.4
Prepaid Expenses		\$1.3	\$1.4	\$1.4	\$1.4
Accounts Payable		\$8.2	\$21.4	\$21.4	\$31.3
Net Working Capital		\$6.0	\$27.4	\$27.4	\$38.4
Change in Net Working Capital		\$7.7	(\$21.4)	(\$13.7)	(\$11.0)

Note: Underlying assumptions can be found on page 28 in the appendix. Please see relevant disclosures on FCF and non-GAAP disclosure on pages 2, 3 and 4.

1. USD figures converted to CAD at a USD/CAD fix rate of 1.3416.

2. Includes share-based payments and financial related charges.

3. Combined net operating losses provide a tax shield on forecast income generated through 2025E.

# Statutory Rights

## Rights of Rescission

Securities legislation in certain of the provinces of Canada may deem this presentation to be an offering memorandum and accordingly provide purchasers with statutory rights of rescission or damages, or both, in the event this presentation contains a misrepresentation. A "misrepresentation" is an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made. These remedies must be commenced by the purchaser within the time limits prescribed and are subject to the defences contained in the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or damages, or both, under securities legislation in certain of the provinces of Canada where that is required to be disclosed under the relevant securities legislation, and as such, is subject to the express provisions of the legislation and the related regulations and rules. The rights described below are in addition to, and without derogation from, any other right or remedy available at law to purchasers of the securities.

### Ontario

Ontario securities legislation provides that where an offering memorandum is delivered to a purchaser and contains a misrepresentation, the purchaser will be deemed to have relied upon the misrepresentation and will, except as provided below, have a statutory right of action for damages or for rescission against the issuer and a selling security holder on whose behalf the distribution is made; if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the issuer or any selling security holder. No such action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action. The Ontario

legislation provides a number of limitations and defences to such actions, including: (a) the issuer or any selling security holder is not liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation; (b) in an action for damages, the issuer shall not be liable for all or any portion of the damages that the issuer or any selling security holder proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the securities were offered.

These rights are not available for a purchaser that is: (a) a Canadian financial institution, meaning either: (i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a province or territory of Canada to carry on business in Canada or a province or territory of Canada; (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada); (c) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or (d) a subsidiary of any person referred to in clauses (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.



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# Statutory Rights

## Saskatchewan

Saskatchewan securities legislation provides that in the event that an offering memorandum, together with any amendments thereto, or advertising and sales literature disseminated in connection with an offering of securities contains a misrepresentation, a purchaser who purchases such securities has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against: (a) the issuer and the selling security holder on whose behalf the distribution is made; (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered; (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them; (d) every person who or company that, in addition to the persons or companies mentioned in clauses (a) to (c), signed the offering memorandum or the amendment to the offering memorandum; and (e) every person offering memorandum or the amendment to the offering memorandum. If such person or company that sells securities on behalf of the issuer and the selling security holder under the offering memorandum or amendment to the offering memorandum. If such purchaser elects to exercise a statutory right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that person or company. No such action for rescission or damages shall be commenced more than, in the case of a right of rescission, 180 days after the date of the transaction that gave rise to the cause of action or, in the case of any action, other than an action for rescission, before the earlier of (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action. The Saskatchewan legislation provides a number of limitations and defences, including: (a) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation; (b) in the case of an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation; and (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser. No person or company, other than the issuer, will be liable if the person or company proves that: (a) the offering memorandum or any amendment to it was sent or delivered without the person's or

company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; (b) after the filing of the offering memorandum or any amendment to it and before the purchase of securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or any amendment to it, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the persons or company's withdrawal and the reason for it; (c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert; (d) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert; (i) the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of the offering memorandum or any amendment to it fairly represented the person's or company's report, opinion or statement; or (ii) on becoming aware that the part of the offering memorandum or of any amendment to it did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Saskatchewan Securities Commission and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of the offering memorandum or of the amendment to it; or (e) with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from the document and the person or company had reasonable grounds to believe, and did believe, that the statement was true.



OPTIMIZING POWER

## Statutory Rights

The Saskatchewan legislation also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement. The Saskatchewan legislation provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of Saskatchewan securities legislation, regulations or a decision of the Saskatchewan Financial Services Commission. The Saskatchewan legislation also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by the Saskatchewan legislation. The Saskatchewan legislation also provides that a purchaser who has received an amended offering memorandum that was amended and delivered in accordance with such legislation has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

### New Brunswick

Under New Brunswick securities legislation, certain purchasers who purchase securities offered by an offering memorandum during the period of distribution will have a statutory right of action for damages, or while still the owner of the securities, for rescission against the issuer and any selling security holder in the event that the offering memorandum, or a document incorporated by reference in or deemed incorporated into the offering memorandum, contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of one year from the date the purchaser first had knowledge of the facts giving rise to the cause of action and six years from the date on which payment is made for the securities.

The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or any selling security holder. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer and any selling security holder will have no liability. In the case of an action for damages, the issuer and any selling security holder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to a New Brunswick purchaser. The foregoing is a summary of the rights available to a New Brunswick purchaser. Not all defences upon which an issuer, selling security holder or others may rely are described herein. New Brunswick purchasers should refer to the complete text of the relevant statutory provisions.

### Nova Scotia

Under Nova Scotia securities legislation, certain purchasers who purchase securities offered by an offering memorandum during the period of distribution will have a statutory right of action for damages against the issuer or other seller and the directors of the issuer as of the date the offering memorandum, or while still the owner of the securities, for rescission against the issuer or other seller if the offering memorandum, or a document incorporated by reference in or deemed incorporated into the offering memorandum, contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation.



# Statutory Rights

The right of action for damages or rescission is exercisable not later than 120 days from the date on which payment is made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or other seller or the directors of the issuer. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer or other seller and the directors of the issuer will have no liability. In the case of an action for damages, the issuer or other seller and the directors of the issuer will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

In addition, a person or company, other than the issuer, is not liable with respect to any part of the offering memorandum or any amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

A person or company, other than the issuer, will not be liable if that person or company proves that (a) the offering memorandum or any amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, (b) after delivery of the offering memorandum or any amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or any amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum or any amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it, or (c) with respect to any part of the offering memorandum or any amendment to the offering memorandum

purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or any amendment to the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

These rights are in addition to, and without derogation from, any other rights or remedies available at law to a Nova Scotia purchaser. The foregoing is a summary of the rights available to a Nova Scotia purchaser. Not all defences upon which an issuer or other seller or others may rely are described herein. Nova Scotia purchasers should refer to the complete text of the relevant statutory provisions.

## Newfoundland and Labrador

If an offering memorandum, together with any amendment thereto, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (a) the issuer, (b) subject to certain additional defences, against every director of the issuer at the date of the offering memorandum and (c) every person who signed the offering memorandum, but may elect to exercise the right of rescission against the issuer (in which case the purchaser shall have no right of action for damages against the aforementioned persons).



OPTIMIZING POWER

## Statutory Rights

No action shall be commenced to enforce the right of action discussed above more than: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action for damages, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action. Securities legislation in Newfoundland and Labrador provides a number of limitations and defences to such actions, including:

- no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- in an action for damages, the defendant is not liable for all or any portion of the damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- in no case shall the amount recoverable under the right of action described herein exceed the price at which the securities were offered under the offering memorandum, or any amendment thereto.

### Prince Edward Island

A "misrepresentation" for purposes of the Securities Act (Prince Edward Island) also includes an omission to state a material fact that is required to be stated by the Securities Act (Prince Edward Island). If this presentation, together with any amendment to this presentation, delivered to an investor resident in Prince Edward Island contains a misrepresentation and it was a misrepresentation at the time of purchase, the investor will be deemed to have relied upon the misrepresentation and will have a right of action against the Company and, subject to certain additional defences, every director of the Company at the date of this presentation for damages or, alternatively, while still the owner of the purchased securities, for rescission against the Company, provided that:

no action shall be commenced to enforce the foregoing rights: (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the date the investor first had knowledge of the facts giving rise to the cause

of the action, or (ii) three years after the date of the transaction that gave rise to the cause of the action

no person or company will be liable if the person or company proves that the investor purchased the Securities with knowledge of the misrepresentation

no person or company (other than the Company) will be liable if it proves that (i) the presentation was delivered to the investor without the person's or company's knowledge or consent and that on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, (ii) after the delivery of the presentation and before the purchase of the Securities by the investor, on becoming aware of any misrepresentation in the presentation, the person or company withdrew the person's or company's consent to the presentation and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the presentation purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the presentation did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

no person or company (other than the Company) will be liable with respect to any part of the presentation not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;

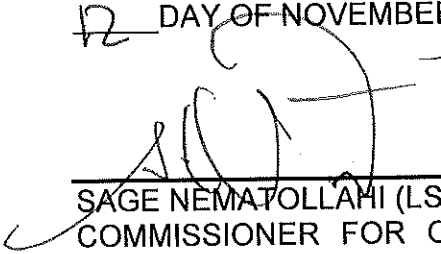
in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon; and

in no case shall the amount recoverable exceed the price at which the Securities were sold to the investor.



OPTIMIZING POWER

THIS IS EXHIBIT "B" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

IA:

**MAX TROJAN**

File Notes

Client:

**EXRO CORP**

Date:

**JAN 30, 2024.**☐

Telephone Call

☐

Meeting in Office

☐

Meeting Outside

Location:

Trades: BUY

Trades: SELL

Notes:

How much are you actually raising

⑥ SEA's annual revenues &amp; profitability?

Will NDA reveals happen quicker?

Who are SEA's partners? ie MEVCO

LINAMAR? How are they integrating?

① How is this good deal?

② Who initiated this deal?

③ What are the pending revenues worth per share?

④ How did they value SEA? Market Cap.

⑤ Is MEVCO deal dead? SEA 332 MM

⑥ What's SEA's balance sheet? EXRO 168 MM

⑦ How many employees? 500 MM CDN

⑧ Is this low margin business? @ 1B = \$2/share

#42MM debt

Client has been made aware of:

☐

Trade Charges:

☐

Trailers:

☐

Loads:

WATERMAN

1900 09/2

1900 09/2

IA: \_\_\_\_\_

## File Notes

Client: _____		Date: _____	
<input type="checkbox"/> Telephone Call	<input type="checkbox"/> Meeting in Office	<input type="checkbox"/> Meeting Outside	Location: _____

Trades: BUY

Trades: SELL

## Notes:

- Up-front hit
- Solid order-book
- economies of scale to get to profitability
- one-on-one conversation with Mack & Hino
- propulsion systems already being delivered
- would be 3-4 years away from what happened
- EXRO approached SEA because of HINO & MACK contracts
- modelled Mack & HINO (awarded contracts late 2023)
- valued 300MM - 400MM 2X revenue equivalent
- 10MM CASH
- revenue coming in the door
- account receivables
- commercial negotiations
- 200MM (2024)
- right sizing the workforce
- 1st Half 50MM 2024
- 2nd -11- 170MM 2024
- UL Cert 2-3 weeks physical testing (nothing failed).
- Start of Q2 (orders announced)
- late October (the idea took root)

Client has been made aware of:

- ☐ Trade Charges: \_\_\_\_\_
- ☐ Trailers: \_\_\_\_\_
- ☐ Loads: \_\_\_\_\_



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**Exro Announces Merger with SEA Electric to Create Leading e-Mobility Technology Company and Concurrent C\$42 Million Capital Raise Transactions**

- Complementary technologies driving significant synergy potential which provides a full scope solution with enhanced performance and reduced cost of ownership
- Multi-year commitments from Mack (Volvo) and Hino (Toyota)
- Targeting delivery of more than 1,000 propulsion technology systems to OEMs in 2024
- Concurrent C\$42 Million capital raise to fund capital expenditures, working capital, and general business requirements

CALGARY, Alberta (January 30, 2024) – Exro Technologies Inc. (TSX: EXRO, OTCQB: EXROF) (the "Company" or "Exro") and SEA Electric Inc. ("SEA" or "SEA Electric") announced today that they have entered into an agreement (the "Merger Agreement") providing for the acquisition of SEA by Exro (the "Transaction"). This business combination is expected to strengthen Exro's technology offerings while accelerating revenue growth and Exro's path to profitability. Following completion of the Transaction, the combined company (the "Combined Company") will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange (the "TSX") under the ticker symbol "EXRO".

"We are pleased to announce the merger between Exro and SEA Electric, which unites our complementary EV technology platforms and unlocks substantial opportunities for growth and path to profitability. Our merger with SEA not only creates significant revenue and cost synergies, but positions Exro to amplify its growth with new partners while continuing to develop our existing relationships. Having come to know SEA and its management team from doing business with them over the past several years, I have great confidence that this acquisition will bolster our competitive positioning in the EV technology space while providing significant value potential for our shareholders", commented Sue Ozdemir, Chief Executive Officer of Exro.

**Compelling Strategic Rationale**

The Combined Company aims to accelerate and modernize electrification with a patented, blue chip validated technology platform. SEA Electric produces the SEA-Drive propulsion technology that controls all the components that electrify a vehicle. When integrated with the Exro Coil Driver™, the complementary technologies provide an end-to-end solution with enhanced performance and improved total cost of ownership for commercial vehicles. SEA's technology has been validated by large blue chip OEM customers with multi-year commitments from Mack (Volvo) and Hino (Toyota). Together, Exro and SEA target delivery of more than 1,000 propulsion technology systems to these OEMs in 2024, with aggregate revenues forecasted to be more than C\$200 million for the calendar



year 2024. Combined with an asset-light business model focused on technology, these targets provide for a defined path to profitability within 12 months of completing the Transaction.

The Combined Company will bring Exro's next generation technology to the full spectrum of e-mobility platforms including passenger vehicles to large commercial trucks and beyond. Together, Exro and SEA will aim to secure the short-term with a strong order book while maintaining a continued focus on disruptive innovation with next generation electric motor and battery control technologies backed by more than 60 patents and patent applications.

Upon completion of the Transaction, Sue Ozdemir will remain as Chief Executive Officer, Tony Fairweather will join Exro as the Chief Product Officer, and Darrell Bishop will become Chief Financial Officer. The board of directors of the Combined Company will consist of up to nine members with Rod Copes serving as Chair and the remaining directors comprised of representatives from both Exro's and SEA's current boards of directors.

Rod Copes, Chairman of Exro's Board of Directors, added "Today marks the beginning of a significant new chapter in Exro's journey as we proactively and strategically lead the consolidation of the e-mobility sector. The Transaction secures first-mover advantage and the path to revenue is robust, backed by a strong leadership team committed to delivering to shareholders on the market opportunity."

SEA is a global e-mobility technology company founded in Australia in 2012 and now headquartered in the USA. After a multi-year, rigorous validation, the SEA-Drive propulsion technology was awarded a five-year contract from Mack for up to 5,000 propulsion systems, securing the contract based on superior performance and cost versus more than fifteen legacy and new competing technologies. Similarly, SEA secured a three-year agreement with Hino for up 3,500 systems.

Tony Fairweather, Founder and Chief Executive Officer of SEA said "With OEM contracts in-hand and industrialization underway, SEA Electric will benefit greatly from this business combination. Exro provides the resources, capabilities and automotive systems that will ensure the successful execution of these important contracts, as well as offering complementary and differentiating technology in the form of its Coil Driver and Cell Driver. I am very excited about our combined future".

#### Transaction Terms

The Transaction values SEA Electric at approximately US\$300 million (C\$402 million). Exro will issue, based on Exro's weighted average common share price over the 10 trading days ending January 26, 2024 of US\$0.7680 per share (approximately C\$1.03 per share) (the "Reference VWAP"), a combination of common shares (the "Exro Common Shares") and non-voting convertible preferred shares (the "Exro Convertible Shares") to SEA stockholders.

Pursuant to the Merger Agreement, SEA stockholders will receive approximately 153.8 million Exro Common Shares and 168.7 million Exro Convertible Shares, on a non-diluted basis and excluding existing SEA shares held by Exro, resulting in total implied consideration issued to SEA stockholders of approximately US\$248 million (C\$332 million) (the "Consideration") in aggregate, based on the Reference VWAP. In addition, Exro will assume approximately US\$46 million (C\$62 million) in SEA net



debt as part of the Transaction. The Exro Convertible Shares will be convertible into Exro Common Shares on a one-for-one basis without payment of any additional consideration and upon the satisfaction of certain conditions.

Under the terms of the Merger Agreement, immediately following the closing of the Transaction, Exro shareholders will own an approximate 34.5% economic stake in the Combined Company and SEA shareholders will own an approximate 65.5% economic stake in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering (as defined below). Immediately following the closing of the Transaction, and prior to any conversion of Exro Convertible Shares into Exro Common Shares, current Exro shareholders will hold approximately 52.5% of the voting shares in the Combined Company and current SEA shareholders will hold approximately 47.5% of the voting shares in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering.

The Merger Agreement also contains customary representations, warranties and covenants, including non-solicitation covenants applicable to Exro and SEA.

The Merger Agreement may be terminated in certain specified circumstances, including: (i) if the Transaction is not consummated on or before June 30, 2024, (ii) the approval of the Exro shareholders is not obtained or (iii) if Exro's board of directors makes a change in recommendation or enters into an agreement in respect of a superior proposal. A termination fee of approximately US\$11.4 million (C\$15.3 million) is payable by Exro to SEA if the Merger Agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of approximately US\$11.4 million (C\$15.3 million) from SEA if the Merger Agreement is terminated in certain circumstances.

The foregoing summary is qualified in its entirety by the provisions of the Merger Agreement, a copy of which will be filed under Exro's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

#### **Transaction Closing, Required Approvals and Lock-up Provisions**

The Transaction is expected to close by the end of Q1 2024, subject to the approval of Exro shareholders at a special meeting (the "Special Meeting") and other customary closing conditions. Details regarding the Special Meeting, including date and time and full details regarding the background to the Transaction and voting recommendations for Exro shareholders will be issued in due course. The Transaction must be approved by a majority of the votes cast by Exro shareholders at the Special Meeting.

In conjunction with the signing of the Merger Agreement, directors and officers of Exro have entered into customary voting support agreements pursuant to which they have agreed to vote their Exro Common Shares in favour of the Transaction. The Transaction has received the requisite approvals from SEA stockholders.

Pursuant to a lock-up provision contained in the SEA stockholders' agreement, all current holders of SEA common stock and SEA preferred stock are subject to certain restrictions on the sale or transfer of Exro Common Shares received pursuant to the Transaction, or through the conversion of Exro



Convertible Shares into Exro Common Shares, for a period of six months following closing of the Transaction.

#### **Concurrent Capital Raise Transactions**

Concurrent with the Transaction, Exro will be raising an aggregate amount of approximately C\$30 million (US\$22 million) through the issuance of subscription receipts of Exro (the "Subscription Receipts"), prior to any exercise of the Underwriters' Option (as defined below). In connection with the Transaction and contemporaneous with the issuance of Subscription Receipts, SEA has also entered into arrangements to receive an aggregate of US\$9 million (C\$12 million) of debt financing (the "Debt Financing") from a Canadian pension fund manager (the "Debt Investor").

In respect of the Subscription Receipts, Exro has entered into an agreement (the "Engagement Agreement") with Canaccord Genuity Corp. and Eight Capital (collectively, the "Co-Lead Underwriters"), for and on behalf of a syndicate of underwriters (collectively, with the Co-Lead Underwriters, the "Underwriters"), for the issuance, on a bought deal basis of 31,600,000 Subscription Receipts at a price of C\$0.95 (US\$0.7082) per Subscription Receipt for aggregate gross proceeds to the Company of approximately C\$30 million (US\$22 million) (the "Offering"), prior to any exercise of the Underwriters' Option (as defined below).

The Underwriters have been granted an option on the Offering (the "Underwriters' Option"), exercisable in whole or in part on the same terms as the Offering, no later than two business days before the Closing Date (as defined below), to issue up to an additional 21,100,000 Subscription Receipts for additional gross proceeds of up to approximately C\$20 million (US\$15 million).

Upon closing of the Transaction, each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration and without further action, an Exro Common Share, plus an amount per Exro Common Share, if any, equal to the amount per Exro Common Share of any cash dividends declared by the board of directors of the Company on the Exro Common Shares to holders of record on a date during the period from, and including, the Closing Date (as defined below) to, but excluding, the date of the closing of the Transaction, net of any applicable withholding taxes. If the Transaction does not close by June 30, 2024, the proceeds from the sale of the Subscription Receipts will be returned to the holders of such Subscription Receipts. The Subscription Receipts will be governed by the terms of a subscription receipt indenture (or equivalent document) (the "Subscription Receipt Agreement") containing customary anti-dilution provisions for a transaction of the nature of the Offering.

The Offering is expected to close on February 15, 2024 (the "Closing Date"), and is subject to certain conditions including, but not limited to, the receipt of all necessary corporate and regulatory approvals, including the approval of the TSX.

The net proceeds from the Offering and from the sale of any additional Subscription Receipts pursuant to the exercise of the Underwriters' Option, if applicable, will be held in escrow pursuant to the terms of the Subscription Receipt Agreement and are intended to be used by Exro to support the business plan of the Combined Company, including but not limited to production, capital expenditures, working capital requirements, and normal course corporate and operating needs.



All securities issued in connection with the Offering are subject to a four-month and one day hold period in Canada, during which time the securities may not be traded.

The Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the Underwriters' Option will be offered by way of private placement in all provinces of Canada to investors who qualify as "accredited investors" under Canadian securities legislation or who are otherwise exempt from prospectus delivery requirements. Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the Underwriters' Option, if applicable, may also be sold in the United States to, or for the account or benefit of, U.S. Persons (as such terms are defined in Rule 902 of Regulation S under the *United States Securities Act of 1933, as amended* (the "U.S. Securities Act")) on a private placement basis pursuant to exemptions from the registration requirements under Rule 144A and/or Regulation D of the U.S. Securities Act, in a manner that does not require any of the securities sold pursuant to the Offering to be registered under the U.S. Securities Act or any applicable securities laws of any state of the United States. The Subscription Receipts issued pursuant to the Offering may also be sold in such other international jurisdictions in accordance with applicable law as the Company and the Underwriters may agree.

The terms of the Offering shall be subject to the provisions of a definitive underwriting agreement in respect of the Offering (the "Underwriting Agreement") to be entered into between the Company and the Underwriters, which Underwriting Agreement shall include, without limitation, the provisions set forth in the Engagement Letter as well as such representations, warranties, covenants, conditions, indemnities and termination provisions including standard disaster, material adverse change, material adverse legislation and material breach termination provisions that are usual for transactions such as the Offering.

The Subscription Receipts issued pursuant to the Offering and the additional Subscription Receipts, if any, issued pursuant to the exercise of the Underwriters' Option have not been and will not be registered under the U.S. Securities Act or any applicable securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent such registration or applicable exemption from such registration requirements. This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities described herein.

#### **Advisors and Fairness Opinion**

National Bank Financial Inc. is acting as exclusive financial advisor to Exro. Stikeman Elliott LLP and Dorsey and Whitney LLP are acting as legal advisors to Exro.

Canaccord Genuity Corp. and Eight Capital are acting as financial advisors to SEA. Gibson, Dunn and Crutcher LLP and Blake, Cassels and Graydon LLP are acting as legal advisors to SEA.

In connection with the review and Consideration of the Transaction, Exro engaged National Bank Financial Inc. as its exclusive financial advisor. National Bank Financial Inc. has provided an opinion to the board of directors of Exro and a special committee of independent members of the board of



directors Exro formed to consider the Transaction that, as of the date hereof and based upon and subject to the assumptions, limitations and qualifications set out in its opinion, the Consideration is fair, from a financial point of view, to the Exro shareholders other than Vestcor Inc.

#### **Shareholder Webcast**

Exro will host a shareholder livestream webcast to discuss the Transaction on January 30, 2024 at 10:00 AM (Mountain Time). To participate in the event please register [here](#).

#### **About Exro Technologies**

Exro Technologies Inc. is a leading clean technology company that has developed new generation power control electronics that change how the world optimizes energy by expanding the capabilities of electric motors and batteries. The company's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less – minimum energy for maximum results.

For more information visit our website at [www.exro.com](http://www.exro.com).

To view our Investor Presentation visit us at [www.exro.com/investors](http://www.exro.com/investors).

Visit us on social media @Exrotech.

#### **About SEA Electric**

SEA is a leading automotive and e-mobility technology company that provides 100% electric drivetrain system technology. SEA has a worldwide presence, deploying products in the USA, Canada, Australia, New Zealand, Thailand, Indonesia, India, and South Africa, collectively achieving more than three million miles of service via independent OEM-testing and real-world operation.

#### **Contact Information**

Investor inquiries: [investors@exro.com](mailto:investors@exro.com)

Media inquiries: [media@exro.com](mailto:media@exro.com)

#### **Cautionary Statement Regarding Forward Looking Statements**

This news release contains forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan",



"anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology.

Forward-looking statements are necessarily based on estimates and assumptions made by management in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as factors management believe are appropriate. Forward-looking statements may include but are not limited to statements respecting: the completion of the Transaction or the realization of the benefits thereof by the Combined Company; the terms and conditions of the Offering and the closing of the Offering; the receipt of all required regulatory and shareholder approvals of the Transaction and the Offering, including but not limited to the approval of the Transaction by the shareholders of Exro at the Special Meeting and the approval of the TSX; the timing and occurrence of the Closing Date; the ability of Exro and the Underwriters to enter into the Underwriting Agreement, on satisfactory terms or at all; all information regarding the Debt Financing, and the Company's (and following the Transaction, the Combined Company's) ability to commercialize its technology.

This news release also includes future-oriented financial information about future forecasted revenue of the Combined Company for calendar year 2024 that is not presented in the format of a historical balance sheet, income statement or cash flow statement, and which is based on assumptions about the closing of the Transaction, future economic conditions, courses of action and additional assumptions listed below (the "FOFI"). Actual results may differ from the FOFI in the news release. The FOFI is as of the date of this news release and has been included in this news release to assist readers in understanding the potential benefit of the Transaction in the Combined Company, and readers should be cautioned that the FOFI in this news release may not be appropriate for other purposes. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such FOFI necessarily involves known and unknown risks and uncertainties which may be outside of the Company's control, and which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such FOFI. These risks and uncertainties include but are not limited to risks associated with the Combined Company realizing on the perceived benefit of the completion of the Transaction, general economic conditions, adverse industry events, loss of markets, access to capital, and other factors listed below and in Company's most recent annual information form and MD&A.

These forward-looking statements and FOFI are based on the beliefs of the management of Exro and on assumptions which such management believes to be reasonable, based on information available at the time such statements were made. However, there can be no assurance that forward-looking statements and FOFI will prove to be accurate. Such assumptions and factors include, among other things: demand for the technology of the Company (and following the Transaction, the Combined Company); the Company's (and following the Transaction, the Combined Company's) ability to maintain existing partners and attract new partners; the impact of competition; the Company's (and following the Transaction, the Combined Company's) ability to obtain and maintain existing financing on acceptable terms; the Company's (and following the Transaction, the Combined Company's) ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management; volatility of stock price and market conditions; technology risks and risks associated with the commercialization of Company's (and following the Transaction, the Combined Company's)



technology; regulatory risks; the Company's reliance on key personnel; the Company's limited operating history; market uncertainties; the protection of patents and intellectual property; conflicts of interest; market competition; and operating in an environment subject to regulation.

The preceding list is not exhaustive of all possible factors. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors.

Please refer to the Company's annual information form and other public continuous disclosure documents filed with the Canadian securities regulators under its profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) for additional disclosure respecting the risks affecting the Company and its business.

Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. The Company does not undertake to update any forward-looking information, except as, and to the extent required by applicable securities laws.

Neither the TSX nor the Investment Industry Regulatory Organization of Canada accepts responsibility for the adequacy or accuracy of this press release.

# MT NEWSWIRES

**Exro Technologies Reports Merger Transaction With SEA Electric; Details Concurrent Capital Raise Transactions**  
 Tuesday, January 30, 2024 01:05:18 PM (GMT)

08:05 AM EST, 01/30/2024 (MT Newswires) – Exro Technologies Inc. (EXRO.TO), which saw its shares lose near 6% yesterday, and SEA Electric Inc. entered Tuesday into an agreement providing for the acquisition of SEA by Exro.

The transaction values SEA Electric at about US\$300 million (C\$402 million). Exro will issue, based on Exro's weighted average common share price over the 10 trading days ending Jan. 26 of US\$0.7680 per share, a combination of common shares and non-voting convertible preferred shares to SEA stockholders.

Under the agreement, SEA stockholders will receive about 153.8 million Exro common shares and 168.7 million Exro convertible shares, on a non-diluted basis, excluding existing SEA shares held by Exro, resulting in a total implied consideration issued to SEA stockholders of about US\$248 million. In addition, Exro will assume about US\$46 million in SEA net debt as part of the deal. The Exro convertible shares will be convertible into Exro common shares on a one-for-one basis without payment of any additional consideration and upon the satisfaction of certain conditions.

Immediately after the closing of the deal, Exro shareholders will own about 34.5% economic stake in the combined company, and SEA shareholders will own about 65.5% economic stake in the combined entity, on a fully diluted basis and before any impacts of the offering. Immediately after the closing of the transaction, and before any conversion of Exro convertible shares into Exro common shares, current Exro shareholders will hold about 52.5% of the voting shares in the combined company, and current SEA shareholders will hold about 47.5% of the voting shares in the combined company, on a fully diluted basis and before any impacts of the offering.

A termination fee of about US\$11.4 million is payable by Exro to SEA if the merger agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of about US\$11.4 million from SEA if the merger agreement is terminated in certain circumstances. The deal is expected to close by the end of the first quarter.

According to a statement, this business combination is expected to "strengthen Exro's technology offerings while accelerating revenue growth and Exro's path to profitability". After the closing of the deal, the combined company will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange under the ticker symbol "EXRO."

The combined company is expected to accelerate and modernize electrification with a patented, blue chip-validated technology platform, the companies said.

The companies plan to deliver more than 1,000 propulsion technology systems to these original equipment manufacturers in 2024, with aggregate revenues forecasted to be more than C\$200 million for the calendar year 2024.

Upon completion of the deal, Sue Ozdemir will continue to serve as chief executive officer while Tony Fairweather will join Exro as chief product officer, and Darrell Bishop will serve as chief financial officer. The board of the combined company will consist of up to nine members with Rod Copes serving as chair and the remaining directors comprised of representatives from the current boards of both companies.

Also, Exro plans to raise about C\$30 million via the issuance of subscription receipts, before any exercise of the underwriters' option. In connection with the transaction and contemporaneous with the issuance of subscription receipts, SEA has also entered into arrangements to receive about US\$9 million of debt financing from a Canadian pension fund manager.

The underwriters have been granted an option to issue up to an additional 21.1 million subscription receipts for additional gross proceeds of up to C\$20 million.

The offering is expected to close on Feb. 15.

The net proceeds will be held in escrow under the terms of the subscription receipt agreement and are intended to be used by Exro to support the business plan of the combined company.

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**Countries:** Canada

**Industries:** Technology

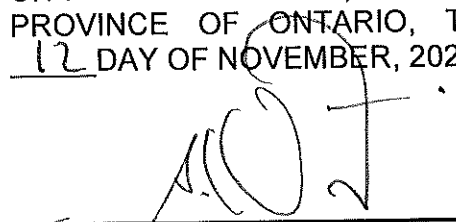
**Primary Identifiers:** EXRO-CA

**Regions:** South America, North America

**Related Identifiers:** EXRO-CA

**Subjects:** Extended-hours, Pre-market, Equity / Debt Offering, C-Level Change, Mergers & Acquisitions, Equities .

THIS IS **EXHIBIT "C"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



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SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

IA:

#600MILCO #370MILCO  
is now worth @ 65¢

File Notes

No known story?

Client: Talk with Sue Ozdenin	Date: APRIL 17 2024
<input type="checkbox"/> Telephone Call <input type="checkbox"/> Meeting in Office	<input type="checkbox"/> Meeting Outside Location:

Trades: BUY

Trades: SELL

Share price is telling us EXRO is in serious trouble

How are you going to promote EXRO to investors?

Where is the trouble in the stock?

Notes:

The stock reacting more poorly than peers

- ① Are you in trouble on manufacturing side which is postponing purchase orders?
- ② Are you on track to deliver 250+ propulsion systems and 1ST H revenues of \$49.5M?
- ③ What are all the NDAs?
- EXRO's credibility has deteriorated as evidenced by price
- ④ Livio was ready to install the cell driver in Q2  
↳ Do you have UL certification → when is announcement?
- ⑤ What's the latest on passenger vehicle prototype?  
What's happening now following the merger?
- ⑥ When can we expect Black/Hino/anybody else to place CD orders? meaningful  
↳ Class 8?
- ⑦ Why can't EXRO better communicate with the market?  
↳ you need help in (Basic Communications).
- ⑧ What have you done to explain how EXRO should not be tamed & feathered with the EV winter, especially if a bull market in commercial trucking is underway?

Client has been made aware of:

- ☐ Trade Charges: \_\_\_\_\_  
☐ Trailers: \_\_\_\_\_  
☐ Loads: \_\_\_\_\_

There is no showmanship to create excitement!!!

You gotta say enough to get stock moving!!!

IA: \_\_\_\_\_

## File Notes

Client: _____		Date: _____	
<input type="checkbox"/> Telephone Call	<input type="checkbox"/> Meeting in Office	<input type="checkbox"/> Meeting Outside	Location: _____

Trades: BUY

Trades: SELL

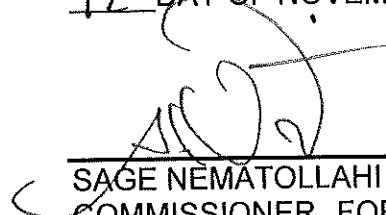
## Notes:

1. No manufacturing problem
2. Sea Electric failed on some deliverables
3. Shareholders have lost a lot of money & are hesitating
4. SPAC companies went bankrupt
5. Messaging in month of May.
6. Demand by Mack/Hino
7. Passenger vehicle will come out of NDA:
8. UL certification (next month) promoting & marketing already
9. 2 years away on
10. talking about "showing deliveries" month over month consistent growth
11. 1 1/2 year out to \$2.25

Client has been made aware of:

- ☐ Trade Charges: \_\_\_\_\_
- ☐ Trailers: \_\_\_\_\_
- ☐ Loads: \_\_\_\_\_

THIS IS **EXHIBIT "D"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



---

SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("Exro", the "Company", "we", "our") during the three and six months ended June 30, 2024, 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 the three and six months ended June 30, 2024 and the December 31, 2023 audited consolidated financial statements and MD&A, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). This MD&A complements and supplements but does not form part of the Company's condensed consolidated interim financial statements.

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 13. 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 14, 2024.

**BUSINESS OVERVIEW**

Exro Technologies Inc. is a leading clean-technology company focused on developing new generation power-control electronics that expand the capabilities of electric motors and batteries. The Company's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™ and SEA-Drive®) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less – minimum energy for maximum results.

Utilizing our technology to make the brains of electrification smarter, our patented technologies enable cost-effective and efficient systems for e-mobility and energy storage. This results in commercial trucks and passenger vehicles that are affordable, perform to real-world requirements, and are easy to scale. Transitioning to electric propulsion means we don't do it how it's always been done; we embrace a giant leap forward.

Exro has de-risked its disruptive technology through multiple years of research and development ("R&D"), automotive certification and manufacturing experience, and on-road validations with multiple partnerships.

**KEY HIGHLIGHTS FOR THE Q2 2024**

Exro achieved several strategic objectives in the second quarter of 2024. A summary of select key objectives is included below:

- On April 5, 2024 Exro closed the acquisition of SEA Electric, marking an accelerated path in Exro's mission to drive the global transition of commercial vehicles to electric mobility
- Record quarterly revenue of \$5.3 million with work-in-progress of \$6.7 million at quarter end
- Exceeded targeted bill of material costs savings of 5%, recognizing over 10% savings ahead of schedule
- Recognized annualized cross business cost savings of US\$7.5 million and on-track to deliver 2024 target of US\$10 million
- Awarded ETL Certification to UL Standards, including UL9540, for Cell Driver™ stationary battery energy storage system for commercial and industrial applications
- Recognized as an award winner in the 2024 Automotive News PACEpilot Innovation to Watch competition in Detroit Michigan, for its Coil Driver™ Electric Vehicle ("EV") Traction Inverter. The award further supports Exro's contribution to technology disruption in the automotive sector.
- Successfully transitioned its pilot with Gialfione Electric, after approximately 2,000 km of road testing, to a major global beverage Company for continued on-road validation. The propulsion system is powered by an Exro Coil Driver™ inverter paired with a motor from a top 5 global motor company that showcases the performance needed in the commercial vehicle space.
- Successfully marketed, with partner Linamar Corporation, the e-axle at the ACT Expo in Las Vegas in May 2024. Progress continues for the Linamar e-axle program, with the medium-duty commercial truck demonstration vehicle
- Subsequent to quarter end, restructured US\$53.4 million convertible promissory note into a promissory note, removing the dilutive potential of the conversion feature, and increasing the amount available under the Notes.

**THE FIRST 90 DAYS OF TRANSFORMATION**

On April 5, 2024, Exro completed a transformational merger with SEA Electric, accelerating the proforma Exro into the next stage of growth as the Company delivers electric propulsion systems to top Blue-Chip OEMs, and fast-tracks the deployment of Exro's core



disruptive motor and battery control technology. With this MD&A the Company will provide an update on its core strategy and progress on the key milestones of increased revenue, path to profitability, and technology integrations.

Overall, the progress this quarter was positive. Despite several challenges Exro delivered its largest quarterly revenue to date, overcame operational setbacks to demonstrate its ability to scale, implemented foundational cost-cuts, continued delivering differentiation through its technology, and finally reached certifications on the Cell Driver™ Battery Energy Storage System.

#### Merger Synergies

The merger with SEA Electric marked a transformational next step for Exro's core technology offerings as management saw the opportunity to capture the key aspects of the merger through access to top OEM contracts. These contracts were at the inflection point of transitioning from successful pilots to full series production.

The initial deal synergies were motivated by three key pillars:

1. **Technology Disruption:** Exro's combined technology portfolio created the opportunity to accelerate its path with integrations into the full SEA-Drive® propulsion system to capture lower cost, USMCA built product, and differentiate from market incumbents.
2. **Consistent Growth:** In production contracts allow Exro to quickly recognize material revenue through consistent week over week execution.
3. **Path to Profitability:** Focusing only on programs that have a clear path to profitability, and a lens to profitability within twelve months post close with top global OEMs.

#### Disrupting with Patented Technology

It is transformational for Exro to have the opportunity to not only expand its technology offerings with a new stream of revenue through the SEA-Drive® propulsion systems, but also to integrate the Company's proprietary Coil Driver™ motor control technology, providing much needed industry differentiation that allows for performance increase while enabling significant cost out. Once integrated, Exro's USMCA approved technology provides over 5% system efficiency and an ability to materially reduce system cost by removing the dependencies on mechanical components such as large, oversized motors and batteries. The merger provided Exro the platforms to integrate the technology and enable the Company to provide three key technologies to the market:

1. Full electric propulsion targeting a turnkey solution that is available now for Class 4-8 commercial trucking OEMs;
2. A stand-alone traction inverter drive train system where Exro's Coil Driver™ is paired with industry leading motor partners to deliver best in class performance; and,
3. Exro's new ETL certified to UL Standards UL9540 stationary battery energy storage system for commercial and industrial applications.

#### Business Model - Commercial and passenger vehicle

Exro's transformation includes key shifts in the Company's strategy that provide the foundation for a profitable future. In the short term Exro has evaluated all partnerships and is focused on the top ten that deliver against its core pillars of incremental growth, profitability and technology disruption. While the technology delivered in every pilot, and exceeded targets in some NDA pilots, delayed timelines to revenue, continued development requests from customers and/or change in volume forecasts, meant that profitability was not within Exro's target return on investment window. As the market evolves and transition continues this work will be invaluable as it can be quickly moved to commercialization with profitable revenue targets. Recent pilot results in Brazil demonstrated Exro's industry leading performance and that OEMs do not need to settle for sub-par results by going electric: electrification can include the needed performance and at a profit. The Company is also able to continue its innovation developments to support the future licensing strategy within the passenger vehicle market.

One of the most exciting developments is Exro Coil Driver's™ control of motors that have no heavy rare earth metals. This is an important topic with OEMs today as it relates to important geopolitical issues. This is one example of how Exro is bringing to market the next generation of motor control. The Company's innovation pipeline of automotive passenger vehicle OEMs supports the need for technology like Coil Driver™ that provides material cost benefits across the vehicle systems and delivers solutions for supply issues like rare earth metals.

Exro's Global Passenger Vehicle Program continues to progress and deliver as the Company had hoped when the innovation program initiated more than a year ago. The Company has also progressed two other major automotive OEM programs as Exro looks to expand into hybrid propulsion and demonstrate leading cost out efforts with the ability to drive down powertrain costs. While the development cycle is longer on passenger vehicles, the reward of multiple platforms combined with Exro's technology being agnostic to electric propulsion type (hydrogen, hybrid or full Battery electric) provides material profitable licensing revenue potential.

#### Growth and profitability

Like most mergers, the merger with SEA Electric presented challenges in the first 90 days with many issues to overcome as management transitioned and transformed the organization. It has taken several months to position the supply chain, implement



strategic sourcing and focus on quality. In second quarter Exro achieved record revenue generated directly from technology sales. The investments made early into Exro's core infrastructure and processes have been instrumental in achieving results thus far. As management evaluated the Company's performance against the market backdrop, it made the decision to prioritize cost out efforts and profitability. Each month the Company is focused on driving down cost and increasing output while managing program development and efficient cycling and management of cash.

In the second quarter, Exro achieved record revenue generated directly from technology sales. The investments made early into Exro's core infrastructure and processes have been instrumental in achieving results thus far. As management evaluated the Company's performance against the market backdrop, it made the decision to prioritize cost out efforts and profitability. Each month the Company is focused on driving down cost and increasing output while managing program development and efficient cycling and management of cash.

Exro is poised to address the evolving needs of the EV market segment. With industry leading technology, the start of consistent deliveries to blue-chip OEM customers, and a priority on profitability, the Company is poised to penetrate the commercial truck market and build upon this success within the passenger vehicle segment.

## RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

### Selected quarterly financial data

	Quarter Ended	Revenue from continuing operations (\$'s)	Net Loss (\$'s)	Basic and diluted loss per common and preferred share (\$'s)	Weighted average number of common and preferred shares
Q2	June 30, 2024	5,270,259	(25,207,109)	(0.05)	490,157,725
Q1	March 31, 2024	87,828	(12,867,234)	(0.08)	170,077,862
Q4	December 31, 2023	—	(18,769,546)	(0.11)	169,405,378
Q3	September 30, 2023	—	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	—	(12,995,906)	(0.05)	158,685,036
Q1	March 31, 2023	—	(8,163,404)	(0.08)	149,820,687
Q4	December 31, 2022	—	(31,890,016)	(0.06)	146,217,420
Q3	September 30, 2022	—	(8,134,896)	(0.07)	139,112,088

The Company generated revenues for the three months ended June 30, 2024 of \$5,270,259 through the delivery of its proprietary SEA Drive®. The company continues to deliver against its sales and supply agreements with blue-chip OEMs. By prioritizing on these programs, By prioritizing on these programs, the Company also tied integration programs of Coil Driver™ which will contribute to revenue for these programs in 2025. Coil Driver™ integration is a key variable in Exro's path to profitable revenue and building economies of scale.

Exro discontinued its engineering services division in the second quarter of 2024 through the sale of assets and the related workforce in the period. With the acquisition of SEA Electric, this division became redundant given a duplication of engineering skill sets acquired with the merger. Revenue earned from discontinued operations for the three and six months ended June 30, 2024 was \$1,136,001 and \$2,311,384 respectively. The disposition of the business unit served to reduce operating costs and focus on the Company's delivery of its core products including the Coil Driver™ and SEA Drive®.

Further, the Company continues to incur expenses in the progression to volume production, development and validation of its Coil Driver™ and Cell Driver™ through continued testing and development of its products, including the expenses related to obtaining ETL Certification (UL9540a standard) for its Cell Driver™ in the period. The Company incurred a total net loss in for the three months ended June 30, 2024 of \$25,207,109, up from \$12,995,906 for the three months ended June 30, 2023. The increase in costs is primarily driven by higher costs of sales in the period, resulting from the acquisition of SEA Electric and the delivery of SEA Drives® in the period, along with an increase in compensation expenses linked to the increase in the post merger headcount. In addition the company saw non-recurring expenses of \$4,571,662 and \$2,494,517 related to transaction costs for the three and six months ended June 30, 2024 respectively. Additional expenses were incurred on the restructuring, including severance costs, and integration related costs as the Company focuses on integration activities in order to realize synergies between the businesses. Further the Company recognized higher non-cash costs related to depreciation of \$10,846,820 in the period related to the acquisition of intangible assets, offset by gains on the fair value adjustments to the senior secured promissory notes of \$8,735,756 and the liability classified warrants of \$2,157,853.



**For the three months ended June 30, 2024, compared to the three months ended June 30, 2023**

**Revenue from continuing operations**

	For the three months ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change
Revenue	5,270,259	—	5,270,259	100 %
Cost of Sales	8,033,627	—	8,033,627	100 %
Gross margin	(2,763,368)	—	(2,763,368)	100 %

Revenue from continuing operations for the three months ended June 30, 2024 of \$5,270,259 was generated from the delivery of 36 electric propulsion units, delivered in the US and Australia. While revenue was recognized against the delivery of 36 units, the Company had an additional 40 completed units of inventory as at June 30, 2024. A recall on OEM vehicles in early June, related to a software item, resulted in a delay in delivery of produced units as they awaited a software program update before passing final audit of the OEMs and triggering the delivery and subsequent revenue recognition of the electric propulsion systems.

Revenue recognized relates to agreements which have been fully delivered during the period. Amounts collected prior to the delivery on the Company's agreements are recorded as unearned revenue until such time all performance obligations have been completed. As at June 30, 2024, the Company recognized unearned revenue of \$6,917,454, which relates primarily to deposits received in advance from the Company's customers. Exro includes units that are in progress in work-in-progress inventory, which included a balance of \$6,653,794 as at June 30, 2024.

Cost of sales from continuing operations increased from nil to \$8,033,627 for the three months ended June 30, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Cost of sales are recognized in conjunction with revenue. Cost of sales consists of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units. Costs incurred for the three months ended June 30, 2024 were higher than run rate as some critical parts were short upon close of the merger of SEA in addition to payment terms. As a result, the Company incurred additional costs due to air freight, expedited shipping and order premiums to meet customer demands.

**Selling, general and administration**

	For the three months ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change
Selling, general and administration	5,168,782	3,314,989	1,853,793	56 %

Selling, general and administration expense increased during the three months ended June 30, 2024 by \$1,853,793 to \$5,168,782 (June 30, 2023 – \$3,314,989). The increase is primarily related to the larger combined Company post merger with SEA Electric and attributable to:

- Higher professional fees incurred in the period, including costs directly related to certifications such as ISO standards and ETL certification to UL standards for the Company's Cell Driver™ which was achieved in the period;
- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Increase in office and general costs, including software and licenses, and computer and internet directly related to the acquisition of SEA Electric in the period;
- Higher travel related expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries;
- Offset by lower costs incurred on advertising and promotional related activities

**Payroll and consulting**

	For the three months ended			
	June 30, 2024	June 30, 2023	\$ Change	% Change
Payroll and consulting fees	8,677,384	4,143,621	4,533,763	109 %

Payroll and consulting fees increased during the three months ended June 30, 2024 by \$4,533,763 to \$8,677,384 (June 30, 2023 – \$4,143,621). The increase is directly related to the acquisition of SEA Electric, and the increase in headcount resulting from merger. Payroll and consulting fees included severance payments of \$552,633 which were incurred as part of the restructuring and realignment of the business in order to realize operational synergies.

The Company focused on restructuring its workforce during the period through the removal of duplicate roles across the business, and the disposal of its engineering services division



**Research and development**

For the three months ended				
	June 30, 2024	June 30, 2023	\$ Change	% Change
Research and development	1,556,904	1,344,137	212,767	16 %
Payroll and consulting fees (related to R&D)	1,523,351	1,412,323	111,028	8 %
Share-based payments	34,051	287,565	(253,514)	(88)%
Research and development	3,114,306	3,044,025	70,281	2 %

Research and development costs were relatively flat year-over-year, and increased by \$70,281 to \$3,114,306 (June 30, 2023 – \$3,044,025) for the three months ended June 30, 2024. The costs are related to those incurred directly in continuing operations. The Company continues to focus on the delivery of its Coil Driver™ and Cell Driver™ through to production. The increase from prior period is directly related to the addition of SEA Electric in the period, contributing an increase of \$361,022 to R&D costs.

Exro continues to invest in innovation of its core technology, evidenced through successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in the first half of 2024 was on cost out efforts to reduce material costs and packaging size.

**For the six months ended June 30, 2024, compared to the six months ended June 30, 2023**

**Revenue from continuing operations**

For the six months ended				
	June 30, 2024	June 30, 2023	\$ Change	% Change
Revenue	5,358,087	—	5,358,087	100 %
Cost of Sales	8,174,144	—	8,174,144	100 %
Gross margin	(2,816,057)	—	(2,816,057)	100 %

Revenue from continuing operations of \$5,270,259 was generated from the delivery of 36 electric propulsion units, delivered in the US and Australia.

Cost of sales from continuing operations increased from nil to \$8,174,144 for the six months ended June 30, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Cost of sales are recognized in conjunction with revenue. Cost of sales consists of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units.

**Selling, general and administration**

For the six months ended				
	June 30, 2024	June 30, 2023	\$ Change	% Change
Selling, general and administration	7,585,757	4,903,998	2,681,759	55 %

Selling, general and administration expense increased during the six months ended June 30, 2024 by \$2,681,759 to \$7,585,757 (June 30, 2023 – \$4,903,998). The decrease is primarily attributable to:

- Slight increase in professional fees related to the merger with SEA Electric, which closed on April 5, 2024;
- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Increase in office and general costs, including subscriptions and licenses, insurance expense, and computer and internet directly related to the acquisition of SEA Electric in the period;
- Higher spend for the six months ended June 30, 2024 on office and general expenses, primarily related to software and licenses directly linked to the increase in headcount as a result of the merger;
- Offset by lower spend on advertising and promotions, compared to the same period in 2023 primarily relating to trade shows.



**Payroll and consulting**

**For the six months ended**

	June 30, 2024	June 30, 2023	\$ Change	% Change
Payroll and consulting fees	12,296,817	7,668,138	4,628,679	60 %

Payroll and consulting fees increased during the six months ended June 30, 2024 by \$4,628,679 to \$12,296,817 (June 30, 2023 – \$7,668,138). The increase is directly related to the acquisition of SEA Electric, and the increase in headcount resulting from the merger. Payroll and consulting fees included severance payments of \$671,426 which were incurred as part of the restructuring and realignment of the business in order to realize operational synergies.

**Research and development**

**For the six months ended**

	June 30, 2024	June 30, 2023	\$ Change	% Change
Research and development	3,121,513	1,716,187	1,405,326	82 %
Payroll and consulting fees (related to R&D)	3,207,854	2,809,066	398,788	14 %
Share-based payments	34,051	336,260	(302,209)	(90)%
Research and development	6,363,418	4,861,513	1,501,905	31 %

Research and development costs increased by \$1,501,905 to \$6,363,418 (June 30, 2023 – \$4,861,513) for the six months ended June 30, 2024. These costs primarily consist of engineering resources, consulting, and materials to commercialize the Company's technologies to production. Changes to the research and development amounts are as follows:

- Payroll and consulting fees are directly related to engineering resources required for the development and validation of Exro's products. Amounts allocated from payroll remained consistent for the six months ended June 30, 2024, and are directly related to the Company's delivery on projects and partnerships in order to reach commercialization.
- Increase in direct research and development costs related to higher material costs allocated to research and development in the period as the Company continues to deliver sample units; and
- Additionally the Company increased R&D expenses related to the acquisition of SEA Electric, and ongoing projects inherited through the merger amounting to \$361,022.

Exro continues to invest in innovation of its core technology, evidenced with successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in H1 2024 was on cost out efforts to reduce material costs and packaging size.

**RESULTS FROM DISCONTINUED OPERATIONS**

On June 14, 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc. entity for a cash consideration of \$304,872. This resulted in discontinuing the operations and engineering services provided by Exro Vehicle Systems Inc. Exro Vehicle Systems Inc. represents a separate major line of business within the Company, therefore, its results have been classified as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.



**(a) Results from discontinued operation**

The following table summarizes the Company's financial results from discontinued operations:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Revenue	1,136,001	2,443,292	2,311,384	2,768,061
Cost of sales	760,689	1,291,194	1,535,705	1,548,658
<b>Gross Profit</b>	<b>375,312</b>	<b>1,152,098</b>	<b>775,679</b>	<b>1,219,403</b>
<b>EXPENSES</b>				
Research and development	118,912	168,762	480,503	260,938
Selling, general and administration	213,296	395,008	185,074	373,088
Depreciation expense	106,866	87,903	202,517	184,464
Interest expense	27,899	40,460	56,285	71,769
<b>TOTAL EXPENSES</b>	<b>(466,973)</b>	<b>(692,133)</b>	<b>(924,379)</b>	<b>(890,259)</b>
Other income (loss)	62,037	12,508	135,654	12,508
Gain (Loss) on disposal of assets	100,622	—	100,622	—
Foreign exchange gain (loss)	23	460	607	(2,136)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	<b>71,021</b>	<b>472,933</b>	<b>88,183</b>	<b>339,516</b>

**(b) Cash flows from (used in) discontinued operation**

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Cash flows from operating activities	146,939	1,078,160	60,684	1,916,980
Cash flows from investing activities	96,404	(280,138)	114,316	(662,226)
Cash flows from financing activities	(174,362)	479,779	(102,683)	8,207
Impact of foreign currency translation	(138,967)	(27,629)	(136,345)	(22,346)
<b>Net cash flow for the period</b>	<b>(69,986)</b>	<b>1,250,172</b>	<b>(64,028)</b>	<b>1,240,615</b>

**OUTSTANDING SHARE DATA**

As of August 14, 2024, there were 350,169,018 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of August 14, 2024	Number outstanding as of June 30, 2024
Common shares issued and outstanding	350,169,018	349,969,018
Preferred shares issued and outstanding	160,589,446	160,589,446
Options	13,476,780	13,532,220
Warrants	29,548,125	29,548,125
RSUs	11,411,834	11,411,834
PSUs	663,125	663,125

The Company issued 146,453,200 common shares, 160,589,446 convertible preferred shares, 15,457,723 RSUs, 4,085,873 options, and 13,192,842 warrants in connection with the close of the acquisition of SEA Electric on April 5, 2024. The Company issued an additional 31,600,000 shares for gross proceeds of \$30,020,000, on the conversion of Subscription receipts issued February 16, 2024 to common shares on close of the transaction.



## SOURCES AND USES OF CASH

	For the six months ended	
	June 30, 2024	June 30, 2023
Cash used in operating activities	(29,605,533)	(17,591,431)
Cash used in investing activities	(1,130,526)	(5,266,273)
Cash provided by financing activities	27,301,906	39,895,363
Impact of foreign currency translation	(766,832)	485,014
Net increase (decrease) in cash and cash equivalents	(4,200,985)	17,522,673
Ending cash balance	2,040,191	34,966,644

Cash used in operating activities increased to \$29,605,533 for the six months ended June 30, 2024 compared to \$17,591,431 during the same period in 2023. The increase in cash used in operating activities related to the production and assembly of SEA Drives® in the period, as well as transaction costs incurred as the Company completed the acquisition of SEA Electric. Further the Company saw an increase in payroll expense in the period as a result of the increased headcount while the Company completed various restructuring activities, including a reduction in the workforce of the combined entity.

Cash used in investing activities of \$1,130,526 for the six months ended June 30, 2024 was related to the purchase of capital equipment related to the Company's testing capacity and production facility.

Cash provided by financing activities for the six months ended June 30, 2024 decreased to \$27,301,906 compared to cash provided from financing activities of \$39,895,363 during the same period in 2023. Cash from financing activities was primarily attributable to the equity raise completed in conjunction the acquisition of SEA Electric, and was primarily used to fund operating activities.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2024, the Company had cash and cash equivalents of \$2,040,191 and accounts receivable of \$1,553,475. The Company had accounts payable and accrued liabilities of \$32,505,521 as the Company managed capital while working through the integration and optimization subsequent to the close of its acquisition of SEA Electric.

### Going Concern Assumption

These condensed consolidated interim financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, on a going concern basis, which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the six-month period ended June 30, 2024, the Company generated a net loss of \$38,074,343 (June 30, 2023 - \$21,159,310) and negative cash flows from operating activities of \$29,605,533 (June 30, 2023 - \$17,591,431). As at June 30, 2024 the Company has an accumulated deficit of \$189,539,105 (December 31, 2023 - \$151,464,762) and a working capital deficit (current assets less current liabilities) of \$81,732,735 (December 31, 2023 - working capital surplus of \$8,303,911). The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of the cash on hand of \$2,040,191 as at June 30, 2024.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to June 30, 2024. The Company is actively managing its liquidity pending additional financing. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

On April 5, 2024 the Company closed the plan of arrangement and merger with SEA Electric Inc. ("SEA Electric"), and a concurrent capital raise of \$30,020,000 through the issuance of 31,600,000 common shares. In conjunction with the merger, the Company has taken a number of steps in restructuring its operations in order to reduce the combined operating expenses, including reducing the combined entity's employee headcount through the removal of redundant roles. The Company may be required to take additional restructuring measures in the near term; however, there can be no assurances that any such efforts that have been taken, or may be taken, will sufficiently reduce the Company's operating cash burn, as such, there can be no assurance that the Company will be able to continue as a going concern and continue to pay its obligations and liabilities before they come due.

Subsequent to June 30, 2024 the Company restructured the senior secured convertible promissory notes, and secured additional debt financing under the Notes. Additionally the Company is in advanced discussions of implementing a working capital line of credit, which



it expects to have in place to fund its working capital requirements; however, there is no assurance that the Company will secure the facility.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

#### INVESTMENT

On February 9, 2021, the Company announced a collaboration agreement with SEA Electric Holdings Pty Ltd. ("SEA Electric"). As part of the agreement, Exro invested US\$5,000,000 in SEA Electric by subscribing for 124,380 Series A Preferred Shares at a price of US\$40.1995 per share. The shares are convertible into common shares of SEA at the option of Exro and automatically convert to common shares under certain conditions, including SEA completing a going public transaction.

On April 5, 2024 the Company completed the acquisition of SEA Electric. The investment balance was recorded at the fair value based on the consideration paid to the former shareholders of SEA, and the amount recognized as part of the consideration paid for the business. As at April 5, 2024 the fair value of shares held in SEA Electric were valued at \$56.06 USD per share, based on Exro's closing share price on April 5, 2024 of \$0.85, for a total value of US\$5,141,810. The amount was recorded at \$6,973,066 and included in consideration for the acquisition of SEA Electric.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the three and six months ended June 30, 2024.

#### CRITICAL JUDGMENTS

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

- i. Management is required to assess the functional currency of the Company and its subsidiaries. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- ii. 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.
- iii. Where the fair value of financial assets and liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Where the fair value cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
- iv. Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and equity components. The debentures consist of a financial liability which represents the obligation to pay coupon interest on the convertible debentures in the future, a freestanding equity classified share purchase warrant, and an equity component related to the ability to convert the debenture to common shares at the option of the holder.

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability and equity components may also be based on various assumptions including contractual future cash flows, discount rates, volatility, credit spread, and the presence of any derivative financial instruments.

Management applied judgment in assessing the accounting treatment for the individual components of the senior secured convertible debentures and whether the warrants and conversion option qualify as an equity instrument, including whether the terms meet the fixed for fixed requirement.

- v. Impairment tests - the Company assess at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. If any indication of impairment exists, the Company determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, technological and economic declines, including the decline in Exro's common share price. Internal triggering events include, for example, lower profitability or planned restructuring.



## ESTIMATION UNCERTAINTY

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

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

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

- ii. 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.
- iii. Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets.
- iv. Business combinations - the acquired assets and assumed liabilities (other than deferred taxes) are recognized at fair value on the date Exro obtains control. The measurement of the assets acquired, and liabilities assumed in a business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), non-cash working capital, property, plant and equipment, and other assets and liabilities at the date of the acquisition, as well as the useful lives of the acquired intangible assets is based on assumptions and generally requires significant judgement. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

The Company engaged independent third-party valuation experts to assist in estimating the fair value of the acquired goodwill and intangible assets acquired. The income approach has been used to estimate the fair value of certain intangible assets using the forecasts prepared by management. The measurement of the estimated fair value of acquired intangible assets was based on several significant assumptions, including future cash flows associated with the acquired assets, discount rates, customer attrition rates and royalty rates. Changes to these assumptions could have resulted in a significant impact to the fair value of intangible assets and goodwill.

- v. Impairment tests - if impairment tests are required, the Company's impairment test compares the carrying value of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance, as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

## PROPOSED TRANSACTIONS

The Company closed its acquisition of SEA Electric on April 5, 2024. There are no other 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 consolidated financial statements for the three and six months ended June 30, 2024. 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 three and six months ended June 30, 2024 and June 30, 2023, the following expenses were incurred to the Company's key management:

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Payroll and consulting fees	1,702,437	691,791	2,377,858	1,305,173
Share-based payments	232,671	728,152	459,449	861,378
	1,935,108	1,419,943	2,837,307	2,166,551

Increase expenses related to key management compensation relate primarily to changes in composition of key management compared to the same period in 2023.

## FINANCIAL INSTRUMENTS

### (a) Fair value

As at June 30, 2024 and June 30, 2023, the carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

The Company uses a fair value hierarchy to reflect the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs that are not based on observable market data.

The following table outlines the fair value hierarchy of the Company's financial instruments:

Instrument	Fair value hierarchy
Investment private company's	Level 2
Derivative asset	Level 2
Senior secured promissory note	Level 2
Liability classified warrant	Level 2

### (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, 2024, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents, accounts receivable and long-term investments. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure.

The Company applies the simplified approach under IFRS 9 and has calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has a limited number of counterparties in the period, as such no credit loss provision has been recorded.



### **Liquidity risk**

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

As at June 30, 2024, the Company had cash of \$2,040,191 and accounts payable and accrued liabilities of \$32,505,521. As at June 30, 2024 due within one year.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash. Subsequent to the close of the acquisition of SEA Electric on April 5, 2024, no change of control occurred. The debentures have a maturity date of December 31, 2027.

The Company holds senior secured convertible promissory notes, with a face value plus accrued interest of US\$53,446,961 (\$72,482,096) due on April 5, 2027. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date.

On April 5, 2024 the Company assumed all liabilities of SEA Electric.

### **Market risk**

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

#### **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At June 30, 2024, the Company had the equivalent of \$668,978 of net financial assets denominated in US dollars, \$1,153,906 of net financial liabilities denominated in Euros, and \$735,799 of net financial liabilities denominated in Australian Dollars.

#### **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.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The Company identified a material weakness in its DC&P during the period ended June 30, 2024, described further below.

### **Internal Controls Over Financial Reporting**

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;



- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Exro; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud.

The Company identified a material weakness in its ICFR during the period ended June 30, 2024, described further below.

#### **Scope limitation**

The Company's assessment and conclusion of the effectiveness of DC&P and ICFR excludes controls, policies and procedures of SEA Electric, the control of which was acquired on April 5, 2024. The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109, which allows an issuer to limit the DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period in question. Results of SEA Electric for the interim period ended June 30, 2024, are included in note 5 to the financial statements.

#### **Identified material weakness**

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In conjunction with the preparation of the Company's condensed consolidated interim financial statements for the interim period ended June 30, 2024, Management concluded a material weakness existed in the Company's internal controls over financial reporting. The Company does not have sufficient accounting and financial reporting personnel available to adequately address complex accounting and valuation matters like those associated with the acquisition accounting of SEA Electric on April 5, 2024, including the timely preparation and review of financial statements and other external reporting. The material weakness resulted in material adjustments to our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2024.

#### **Remediation plan**

The Company expects to implement measures to improve its DC&P and ICFR, through adding additional qualified accounting personnel with experience in complex accounting matters and financial reporting in accordance with IFRS, engaging consultants to assist with these matters to the extent the Company is able to raise additional capital, and segregating duties across accounting personnel to ensure appropriate and adequate review controls are in place. The material weakness will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively.

#### **RISKS FACTORS**

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 2023 Annual Information Form filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). 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.

#### **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 August 14, 2024 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.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Exro's business plans, outlook and strategy;
- Exro's expectation with respect to its future purchase orders, sales agreements, and production;
- Exro's expectation with respect to its future hiring and R&D activities;
- The timing of completion of Exro's capital program, additional dynamometer bays and the manufacturing facility, including installation and commissioning of components and equipment;
- Exro's total annual production capacity subsequent to completion of its capital program;
- Exro's ability to increase future manufacturing capacity in Calgary;
- Expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same;
- Anticipated supply and demand of Exro's products; and
- Expectations with regard to Exro's ability to maintain and raise adequate source of funding to finance the Company's operations and development; and
- The results of the Company's merger with SEA Electric, and the future operations including synergy's, revenue acceleration, multi-year commitments and path to profitability.

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, "FOFI") about Exro's prospective financial position, including, but not limited to, that operational cost efficiencies to be realized within growth assuming completion of the 2023 capital program and that 2023 capital program will result in sustainable and profitable growth in 2024 and beyond. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Exro's anticipated future business operations.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include the risk factors set out in Exro's annual information form and include, but not limited to:

- Global supply shortage of semi-conductors and micro chips could have a material adverse effect on the timelines of reaching production stages;
- Factors outside Exro's control may impact Exro's ability to successfully execute its commercialization plan;
- Potential delays in Coil Driver™ on road validation testing with customers;



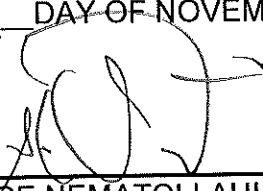
- May not have enough orders to fill full capacity of the production facility;
- Exro's Calgary manufacturing facility may experience delays in construction and/or equipment installation, which may also result in delays for obtaining necessary ISO and automotive certifications;
- Anticipated market demand and sales orders may differ based on changes in customers' pipelines and/or product requirements;
- A joint promotion of the technology by Linamar and Exro to the market with the intention of commercializing the Coil Driver™ e-Axle into series production may not realize unless the validation testing is complete and successful;
- Potential delays in obtaining UL Certification for the Cell Driver™, which could impact the timelines for commercialization; and
- Potential delays in completion of testing and validation of future Coil Driver™ prototypes.

Exro's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Company's 2024 Annual Information Form available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements and FOFI contained in this MD&A are expressly qualified by this cautionary statement. Exro does not undertake any obligation to update or revise any forward-looking statements or FOFI, whether as a result of new information, future events or otherwise, unless required by law.

Calgary, AB

August 14, 2024

THIS IS EXHIBIT "E" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
~~12~~ DAY OF NOVEMBER, 2025.



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SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

08 - 15 - 2024

# Exro Technologies

Second Quarter Earnings

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### CORPORATE SPEAKERS:

**Jeffrey O'Dowd**

*Exro Technologies Inc.; Investor Relations*

**Sue Ozdemir**

*Exro Technologies Inc.; Chief Executive Officer*

**Darrell Bishop**

*Exro Technologies Inc.; Chief Financial Officer*

### PARTICIPANTS:

**Yuri Lynk**

*Canaccord Genuity; Analyst*

**Stephen Gengaro**

*Stifel Financial Corp.; Analyst*

**Michael Shlisky**

*D.A. Davidson Companies; Analyst*

**Jeff Grampp**

*Alliance Global Partners; Analyst*

**Rupert Merer**

*National Bank; Analyst*

**Chris Murray**

*ATB Financial; Analyst*

**Brittney Fidelia**

*Maxim Group; Analyst*

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### PRESENTATION:

Operator^ Good day, everyone, and welcome to the Exro Technologies Q2 earnings call. At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. (Operator Instructions) It's now my pleasure to turn the conference over to Jeff O'Dowd. Please go ahead.

Jeffrey O'Dowd^ Good morning and thank you for joining us today. We will discuss our performance of the second quarter, followed by a Q&A session. Joining us this morning are Sue Ozdemir, our CEO; and Darrell Bishop, our CFO. During this call, we'll make forward-looking statements. Actual results could differ from those expressed or implied. We undertake no obligation to update or revise any of these statements. Relevant factors that could cause actual

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results to differ materially from those forward-looking statements are listed in our MD&A for the quarter that ended June 30, 2024, which can be found on SEDAR and on our website.

In addition, during the call, we may refer to specific non-IFRS measures. These measures are also defined in our MD&A for the quarter ended June 30, 2024. Our MD&A includes a reconciliation of non-IFRS measures to the most directly comparable IFRS measures. Management believes that these non-IFRS measures provide useful information to investors regarding the corporation's financial condition and results of operations as they provide additional metrics of performance. These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS, and may differ from similarly named measures reported by other issuers. Accordingly, they may not be comparable. These measures should not be considered as a substitute for related financial information prepared under IFRS.

With that, I will now turn our call over to our CEO, Sue Ozdemir.

Sue Ozdemir^ Good morning, everybody, and thank you for joining us today. In April of this year, Exro completed the transformational merger with SEA Electric, accelerating our organization into the next stage of growth as we deliver electric propulsion systems to top blue chip OEMs and fast tracking the deployment of Exro's core disruptive motor and battery control technology. Today, we'll provide an update on our core strategy and progress on the key milestones of our first 90 days where we have increased revenue, path to profitability, and technology integrations.

Overall, we are excited and pleased with our significant progress post-merger. We delivered record revenue and propulsion systems produced, with more units produced than the cumulative total of SEA Electric pre-merger, while overcoming several operational and unexpected challenges. We also exceeded our merger integration efforts by implementing substantial cost reductions, continued expanding our technology with energy saving solutions to new customers, and achieved UL certification with our Cell Driver system.

Quite frankly, I am tremendously proud of our progress and accomplishments in such a short period of time since the merger. As this is our first earnings call, we wanted to spend a few minutes on key aspects of our strategy. Let's get started with a look over the past three months and how things have progressed since the merger. We're going to start by talking a little bit about the initial deal synergies. The merger marked the transformational next step for our core technology offerings, as we saw the opportunity to capture the key aspects of the merger through access to top OEM contracts that were at the inflection point of transitioning from successful pilots to full volume production.

A reminder of these initial deal synergies as they formed their core three key pillars over the last quarter: Accelerated revenue growth, this is with production contracts allowing us to quickly recognize material revenue growth through consistent week-over-week execution. Profitability, focusing only on programs that have a clear path to profitability and a lens to that profitability within 12 months post-close with top global OEMs. And finally, our technology solutions,

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progressing technology from IP on paper to volume production is a massive undertaking for any company. Doing so in the automotive space is incrementally harder. Our combined technology portfolio created the opportunity to accelerate our path with integrations into the full SEA-Drive propulsion system to capture market with our differentiated, patented, and lower-cost USMCA-built product.

We are differentiated from the incumbents where that was a key aspect to the deal rationale. Over the past three months, we have been heads down focused on execution. So today, I'll take a few minutes to talk to these pillars. Let's start with the technology disruption because this is what provides the foundation for us to develop and sustain a long-term profitable company. Our differentiation is Exro's patented technology. It is transformational to have the opportunity to not only expand our technology offerings with a new stream of revenue through the SEA-Drive propulsion systems, but also to integrate our proprietary Coil Driver motor technology, providing the much needed industry differentiation that allows that performance increase while enabling significant cost-out.

Once integrated, our USMCA-approved technology provides increased system efficiency, an ability to materially reduce system costs by removing the dependencies on mechanical components such as large oversized motors and batteries. This means that we are using a smaller motor and battery to achieve that performance and cost-out. The merger provided us the platforms to integrate the technology and enable Exro to provide three key technologies to the market. The first is our full electric propulsion system targeting a turnkey solution that is delivering now to the Class 5 through Class 7 commercial trucking OEMs. A standalone traction inverter drivetrain system, this is the motor control where Exro Coil Driver is paired with an industry-leading motor partner to deliver best-in-class performance.

And finally, our new UL 9540 certified stationary battery energy storage system for commercial and industrial applications. As we look to how we take this technology to market, our transformation includes a few key shifts in the strategy of the company that provide the foundation for a profitable future. In the short term, we have evaluated all of our partnerships and are now focused on top programs that deliver against our core pillars of incremental growth, profitability, and technology disruption. By providing best-in-class system efficiencies and tackling the real-world issues challenging the mobility sector, this includes but isn't limited to cost-out, allowing electric to transition and be at par with combustion, but also the driving of the performance.

What good is a commercial truck with a full load that can't climb a hill at full speed without draining the battery? Our recent pilot results in Brazil demonstrated this industry-leading performance and that OEMs don't need to settle for sub-par results by going electric. Electrification can include the performance we need and the profits. This result follows years of development. We are also continuing our innovation developments to support the future licensing strategy with the passenger vehicle market. I am most excited about our developments on using our Coil Driver to control motors that have no heavy rare earth metals in commercial

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and passenger vehicles. This is a hot topic with OEMs. It's a geopolitical issue that we should all be thinking about.

On our website, you can find a link to a paper that our CTO Eric presented in Munich, Germany in March of this year. This is just one example of how we are bringing to market the next generation of motor control. Our innovation pipeline of automotive passenger vehicle OEMs support the need for technology like ours, that provides material cost benefits across the vehicle system and delivers solutions for supply issues like heavy rare earth metals. Our global passenger vehicle program continues to progress and deliver as we had hoped when we started over a year ago. We have also progressed two other programs as we look to expand into hybrid propulsion and demonstrate our system efficiency gains.

While the development cycle is longer on passenger vehicles, the reward of multiple platforms combined with our technology being agnostic to electric propulsion type, this means that we can be utilized in hydrogen, hybrid or full battery electric. This provides large profitable revenue potential. Exro is positioned for success. In Q2, we achieved record revenue directly from technology. The merger has been extremely challenging and there have been lots of things to overcome as we've transitioned and transformed the company. The investments made into our core infrastructure over the past three years and the processes that we had implemented have been instrumental to our results so far.

Mergers are tough and this one has been no different. It's taken several weeks to position the supply chain, implement strategic sourcing, combine our teams, and focus on quality by design. While we are below the targets set, we are demonstrating the incremental growth needed to win and maintain new business. As we evaluated our performance against the market backdrop, we made the difficult decision to prioritize our efforts and profitability, so that we ensure the future is bright. It is an inflection point for Exro and each month, we drive down cost and increase output. We are managing our program development and balancing demand for our technology with that eye to profitability.

This means that not every program made the cut, but that all programs that we are currently using resources on have a path to profitability and an eye to week-over-week growth. It's important to note that from the Exro perspective, not a single one of our programs did not meet the technology milestones that were set. As we look to that profitability, we also ensure that we open up the door to future new OEM programs in both commercial trucks and passenger vehicles as we expand our core technology and scale into multiple partners.

Before turning it over to Darrell, we are poised to address the evolving needs of the EV market segment with differentiating, patented technology, consistent deliveries to blue chip OEM customers, a priority and focus on profitability. We are delivering now to the commercial truck sector where we look to build a strong foundation and we are developing now to scale into passenger vehicles sector in the years ahead.

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And with that, let me turn it over to Darrell, our CFO, who will provide an overview on our financial results.

Darrell Bishop^ Thank you, Sue, and good morning everyone. As Sue highlighted, despite a challenging EV market backdrop and the heavy lift of integrating the merger of SEA Electric, in Q2, we achieved record revenue. Revenue for the quarter came in at USD5.3 million, directly from technology sales versus nil recorded a year ago in Q2 2023. This revenue was recognized predominantly against the delivery of 36 electric propulsion systems to our blue chip OEM partners in the quarter, exceeding SEA Electric's full-year 2023 deliveries and aligning to contracts that initiated production earlier this year.

Worth noting, we had completed units of USD6.7 million at quarter end, representing an additional 40 vehicle units awaiting invoice. The pace of deliveries were impacted by two one-time events in the quarter. Firstly, critical parts on hand upon close of the merger on April 5th and second, a software recall in June that did not stop production but prevented delivery of finished product. This software upgrade was a short setback and we returned to deliveries of completed units in July and converting these completed units into revenue.

Our cost of goods sold during the quarter came in at USD8.0 million. This is higher than our projected run rate COGS due to supply chain inefficiencies from pre-existing SEA relationships and pricing terms upon close, as well as logistical costs related to parts shortages on close that required expedited delivery to meet our customer's production demand.

Turning to expenses, our first quarter operating expenses were USD32.2 million, approximately 30% of this figure was composed of a non-cash depreciation expense on intangible assets acquired in the quarter. Payroll contributed USD8.7 million and SG&A USD5.2 million, both of which have been reduced pro forma the quarter following the elimination of redundancies post the merger of SEA Electric. These are reflected in an annualized cost savings of USD7.5 million which we've captured today, and I'll speak about in a moment.

Other items worth noting are accounts payable of USD33 million at quarter end. Approximately USD19.7 million of this was carried into the acquisition by SEA Electric and ties to inventory and higher than expected closing cost from SEA. Offsetting this accounts payable at quarter end was an inventory value of USD32.2 million, which includes raw materials and parts, things like batteries, motors, onboard chargers, et cetera, work in progress and production related parts that will be converted into revenue in the quarters ahead.

While we closed the quarter with cash on hand of CAD2.0 million, with Q2 results, we announced up to an additional USD7.7 million or CAD9.5 million approximately Canadian of a cash injection in conjunction with the restructuring of Exro's USD53 million senior secured convertible debenture that rolled in as part of the SEA Electric acquisition. This convertible debenture has been restructured into a promissory note at the same terms, while expanding the note up to USD60 million. This provides extra with additional capital to invest in the business,

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while removing the potential for future dilution with conversion of the convertible debenture into equity.

We are also in late-stage process for a non-dilutive working capital facility with a Canadian bank. While there could be no guarantees, this will come to fruition. We are working diligently towards having this facility in place by late Q3 or early Q4.

As Sue mentioned in the top of her presentation, we are laser focused on our cost-out efforts. So let's take a look at our three key initiatives. First is our bill of material. With the merger, we committed to shareholders to achieving a 5% reduction in the bill of materials in 2024 for our propulsion systems. We have implemented a lean, experienced and dedicated team to focus on these efforts, and we are happy to report that in the first 100 days since close, our team has already eclipsed this target and removed more than 10% from our bill of materials. In addition, the team has identified an additional 20% that we will work towards achieving through various initiatives over the next 12 months. Coil Driver's ability to provide savings is a significant contributor to these targets as we integrate the current propulsion systems with our OEM partners.

Second is cross-business cost-outs. In the first 100 days, we have achieved USD7.5 million in annualized savings against a 2024 target of USD10 million. These cost cuts were focused on headcount reductions, facilities closures, and operational efficiencies. While these annualized savings aren't visible in our short-term financials, they will be foundational to how Exro is run.

Third and excitingly is our design evolution. The work we are doing under NDA involves some of the top automotive OEMs, motor manufacturers, and tier-one suppliers. These collaborations have pushed us to further develop our Coil Driver technology architecture, reducing the mechanical footprint and quantity of silicone, which drives down the cost without limiting the current design performance of the Coil Driver.

Before turning it back to the operator and opening it up for questions, I will say that I echo Sue's sentiment towards our outlook. In the first 100 days post-close of a transformational merger, we have overcome many challenges and observed many successes that lay a stronger foundation for growth. Overall, our core focus is on profitability. Above all other metrics, this is the one focus area across the business that we are striving to exceed our goals and deliver value for you, our shareholders.

And with that, I'll turn it back to the operator to open it up for questions.

## QUESTION & ANSWER:

Operator^ (Operator Instructions) We'll take our first question from Yuri Lynk with Canaccord Genuity. Please go ahead.

Yuri Lynk^ Hi, good morning.

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Darrell Bishop^ Good morning, Yuri.

Sue Ozdemir^ Good morning, Yuri.

Yuri Lynk^ I don't know who wants to take this one, but just with regards to the 40 units in inventory, and kind of tying that to the 250 units that I thought you could deliver, I think, by the end of Q3, just how do we think about deliveries in the second quarter? Is there going to be some catch up there and do we see a ramp up from the 36 units delivered in the second quarter?

Sue Ozdemir^ Thank you, Yuri. So I'll start with the end part of your question. So, we do see a ramp up from the 36 units in the first quarter. If we think back to the initial business model, when we were pre-merger, we thought about a Q1 first 90 days post-close, which for us was our Q2 and we wanted to deliver on 75 units. And that was really the start of our ramp. And so, when you combine what we released, what was delivered with the inventory on hand, we actually met that target.

Now, as we go into the second quarter, we still have some challenges that we're facing. We're still working towards that consistent week-over-week growth. We're definitely still aiming for that target, but we do see that that is a little bit hard to catch up on right on the front end. So, we're going to -- right now, we're not giving guidance today, but what I would say is we're still aiming for that target, but we do see some risk in that as it's not just a recoverable target as you go from quarter to quarter when you do that ramp.

Yuri Lynk^ And what are the main issues -- are still sourcing raw materials?

Sue Ozdemir^ Yes, definitely. So they're -- the good side of it is, they're all things that you recover with just a little bit of time and good process. The hard part is that recovery piece in the meantime. Partnerships are strong. Demand is there and supply chain is starting to come into place, but there's still some work there to kind of get that supply chain production link going where you're consistently delivering week-over-week.

Yuri Lynk^ Okay. And then the second track of question I have is on the integration of your Coil Driver into the SEA-Drive propulsion system. You press released earlier this week some progress on that. Two questions. One, when do you anticipate being able to integrate that and deliver a fully integrated propulsion system? And secondly, do you see any risk in customers delaying their SEA-Drive purchases until the Coil Driver is available as the inverter?

Sue Ozdemir^ So no, we don't see any risk in that. We continue to work with the existing supply chain, technology that's proven and working in the market. From a timing perspective, our initial goal was that we would be in production with the Coil Driver integrated into the SEA-Drive system by the second half of 2025. The announcement on Tuesday of this week is the first step towards that. Our customers are asking us for the Coil Driver, so there's no risk there. They see the benefit of being able to take that cost-out and to maintain the performance.

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The timing is really, again, it's that difficult part of business and communicating to the market that balance of timing a program, so that you stay profitable, so that you're not burning up with multiple teams working on programs. In this case, we're just timing our resources with where we are. It's launched, it's going, there's no acceptance on the other side that prevents it or barriers it from getting into the program. It's just a matter of time, getting it in, and then it's in production in 2025. For sure, by the second half, if we can pull it up, we will, for sure by the second half.

Darrell Bishop^ Okay. Sounds encouraging. Okay, I'll hand it over there. Thanks.

Sue Ozdemir^ Thank you.

Operator^ We'll take our next question from Stephen Gengaro with Stifel. Please go ahead.

Stephen Gengaro^ Thanks and good morning everybody. The -- without sort of, I guess digging into sort of specific guidance numbers, can you just talk a little bit about how on the commercial side, we should think about sort of the ramp in sales volumes over -- and maybe even over sort of the 2025, 2026 timeframe and sort of your capacity to do that?

Sue Ozdemir^ From a ramping perspective, we are on track for our ramping plans. That's part of making the more difficult decisions to really focus on that profitability and make sure that you're set up to ramp for volume correctly. And so, I think as we get through the next quarter, that really establishes the foundation we need to ramp into the next two years to three years. There's not a lot of change for us to make as we continue that ramp. And again, that goes back to what isn't always visible to the market, but we internally had invested most of our money into those infrastructures that allow our company to scale.

And so, definitely, integrating them was a little more difficult than we wanted, but they're there. I think from a commercial trucking perspective, the demand is there. The education for electric is what we really need to do, in the industry. We need to get better at kind of making it possible to go electric, but we still see the demand. We're still able to see that 2025, 2026 revenue and we are backed by two really great blue chip OEMs and then several other smaller OEMs that help us to build that path.

Darrell Bishop^ And I think just to layer onto that, Stephen as well, when you look at the business model that we have in place, we are not the ones manufacturing the vehicles at the end of the day. Recall, Exro is a technology provider. So we are going into the OEM's infrastructure and the OEM's contract manufacturers, and as they are taking on the burden of building vehicles, things that these companies have done for decades, and the ramp that you see is a relatively small ramp for these major OEMs.

So for us, it's leveraging their network of manufacturing and contract manufacturing, and being there with our supply chain to drop in that propulsion system as the vehicles are being assembled.

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Stephen Gengaro^ Great, thank you. And then the other question for me was on the passenger side, and are you -- what would be sort of the structure on the passenger side? Would it be licensing your technology to auto OEMs and then just having them integrate them into their vehicles? Or would you be sort of involved deeper than that on the passenger front?

Sue Ozdemir^ Great question. Thank you for that. So it's an interesting model because we call it licensing plus, so it would definitely be a licensing driven program where we're really providing just a small module that's the guts of the Coil Driver. So, just that comes into the vision from the company over the past few years, what we can build, the small boards, they would do the rest of it -- the kind of heavy lift on the software, the heavy lift on the build around, because these OEMs are really sophisticated with the designs that they're coming out with now. So we didn't want to try to be involved in all of those separate designs. So, it's the same core technology that we use within our commercial truck and our high-voltage drive. Put into a passenger vehicle, those same guts, and it would be licensing, that little piece of hardware would come with it, but it's essentially a licensing model.

Stephen Gengaro^ Okay, great. Thank you for the details.

Sue Ozdemir^ Thank you.

Operator^ And we will move next with Mike Shlisky with D.A. Davidson. Please go ahead.

Michael Shlisky^ Good morning, and thanks for taking my questions. I want to follow-up on the auto comment. Can you maybe share a little bit, maybe a bit on the sizing of the pipeline right now of the various auto opportunities? I guess I'm trying to figure out, one, maybe the number of OEM models your products could end up on. And then secondly, the sort of kind of unit size that you think you might be able to get once some of these programs are up and running. Is it going to just massively overtake the truck business, or do you think it'll be more of a balance?

Sue Ozdemir^ So, what I'll talk to is kind of the pipeline first. So with the pipeline, we've put in just a press release just a few months ago about the three programs that we have right now. And what's really important about those programs is that we took our lessons learned over the past 3.5 years. We took lessons learned of what we see happening in the sector around us, and we really focused on companies that had that financial strength, that were leaders in the space, that were top OEMs, even if it meant that it was going to take a little longer. So our first one is that global passenger vehicle that's under NDA, we've been working and pushing and successfully progressing through that partnership.

The second one is what I would call a mid-stage negotiation and our goal was to find a passenger vehicle program that would take us into the hybrid market. And what I can share today is that our first set of technical evaluations with the customer, we run through several months -- in this case, it's been over six months of technology review, of looking how it goes. It was the first time we had used the Coil Driver in simulations against a hybrid, and we actually received better results

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than we did when we did it with battery electric. So very exciting next step for us, it's what made us want to continue with that particular program. So it's another major OEM, so platform would be large. And then the last one is a late-stage, negotiation --sorry, I just mixed that up. That was the late stage -- that one was the mid-stage.

Then we're in a late-stage negotiation with another automotive OEM, this one is based around reducing complexity of the system, so using that charging feature that we patented over 1.5 years ago against the Coil Driver to take down the complexity of the electronics. So when we look to those programs, we were looking at programs that showed the differentiation of the tech and what we could do. We didn't chase the same type of program three times over. And so absolutely, what we would see is that in the years to come, we would be able to then expand past that.

Michael Shlisky^ Okay. So from a TAM perspective of the three, if you were to win all three and it all would've come to the market, would it effectively make Exro more of an [oil] supplier than a truck supplier as far as the size of the business, once you're up and running?

Sue Ozdemir^ Yes, what I would say is that we are a technology supplier and it is the difference between combustion and electrification. When we synch to electrification, that's what has made it so hard for these OEMs to be profitable, is what's inside those vehicles is what really matters. And so, I would say that we could be, right now, in the commercial trucking, Dana TM4 would be the top supplier. We could be the next Dana in parallel to being a large passenger vehicle, so like a tier-one automotive of the future.

Michael Shlisky^ Got it. Thanks for the information. I appreciate it.

Sue Ozdemir^ You're welcome.

Operator^ Our next question comes from Jeff Grampp with Alliance Global Partners. Please go ahead.

Jeff Grampp^ Morning, wanted to touch on some of the additional cost savings that, if I heard right, you guys talked about, I think an incremental 20% cost savings identified. What does that timeline look like to potentially prove that out and potentially get that into the supply chain?

Sue Ozdemir^ Right, so the timeline for that is the second quarter -- end of second quarter of next year. That ties to our target profitability within the second half of next year. How we've looked at that is it's not just -- it's very identified. It just takes a little bit of time when -- especially when you're partnered with OEMs, there's processes that you have to go through from a quality perspective to make sure that the new offering that you're bringing in meets all of that. And so we're going through audits, we're going through deviations, we're going through all of the process that you need to get us there.

# Exro Technologies

## Second Quarter Earnings

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The second piece of that is just really good sourcing abilities. And so again, in one hand, it's been one of our challenges as we reach out and try to get better at that. At the other hand, in just 100 days, they manage to achieve some pretty great savings that we're recognizing on now. So, I would say kind of into the end of June of next year is when we'd be completed with that target.

Jeff Grampp^ Okay, great. Thanks, Sue. And for my follow-up, I'm curious, just obviously, you mentioned some of the challenges of integrating the merger as a lot of companies have. Where -- what inning do you think we're in here in terms of the merger process? Would you consider the two companies kind of integrated at this point? Is there some additional work to be done? Like where are we at in that journey?

Sue Ozdemir^ Yes, I would -- that's a great question. Jeff, you guys are asking some great questions this morning, so I'm thinking about -- that's new for me. So I would call it the third innings. I think where we've had some big successes is I came from a company GE, where I led a pretty large acquisition merger. And I can tell you that the work that our team has done, our small -- our team in comparison and as far as IT integration, the actual kind of structure of the business, team culture, even some of the kind of sales and operations side of it, has been phenomenal. Really, really well run. We stayed on track, really good dedication from the team, really great integration of the two teams, especially from a leadership perspective.

Where we kind of needed to put some more work in is from an Exro perspective, our philosophy around quality and process had been there since day one. And again, it's hard for the market to recognize that, but those kind of under-the-cover things are how you build a big business. And so, we knew that that was the right thing to do. And so, what we underestimated and what was the biggest challenge for us was, we are a smaller size team. We had -- we were running a business and trying to do that integration, but also putting those processes into something that's essentially been established. They were a private organization that had been out delivering winning commercial trucks, contracts, and now, we were trying to put in this process. And so, that took a little bit longer than we thought and made it a little bit harder. And that's where our climb continues.

Jeff Grampp^ Understood. I appreciate those details. Thanks for the time.

Sue Ozdemir^ You're welcome. Thank you.

Operator^ We will move next with Rupert Merer with National Bank. Please go ahead.

Rupert Merer^ Hi, good morning everyone. One of two (multiple speakers) a little more on the customers for your product, so you delivered the 36 units in Q2, another 40 in inventory, it sounds like they've been delivered now. Can you break down who the customers were for those products and which markets they're in?

Sue Ozdemir^ I can break down the markets for you, but we are not breaking down the customers. We've made a decision that we're going to put out the one number and we're going to

# Exro Technologies

## Second Quarter Earnings

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protect our customer contracts as a priority. So what I will tell you is that they were all in the commercial trucking sector, Class 5 through Class 7.

Rupert Merer^ Okay, great. And it sounds like you've had some challenges ramping with your supply chain and some production issues, but you are highlighting that the demand is there. I'm wondering if you can give us a little color on your sales backlog, how that's evolving and if that supports the ramp up that you had originally forecasted for sales.

Sue Ozdemir^ So, I'm going to start by saying again, especially as a company focused on electrification, it's one of the lessons learned is that those two things go hand in hand. So your ability to meet demand comes from your ability to scale. Nobody wants to be waiting for a vehicle that they're excited about for 10 months, six months, or even three months. And so, we really viewed that as the first thing, focusing on that consistent week-over-week growth. So, we're not quite there with what I would call consistent, but we're getting there. We're getting a couple weeks and then maybe a setback a couple weeks and then a setback. We're definitely delivering every single week, which is nice.

From a demand perspective, we can't defy the industry, so I'm not going to sit on the call today and say demand is overwhelming, right? Transition is hard right now, what I would say is demand is strong. So we haven't seen a lack of increase in demand. We've seen demand tied to, I want it, but I want to know that it's going to arrive and it's going to arrive on time, and I'm going to have the support. So we've built out our team that is our ambassadors, whether that's an aftermarket that's out supporting our propulsion systems in the market, or a pre-sales where they're out supporting the sales network in collaboration with our OEM partners.

In May of this year, we were at the ACT show. It was the first time Exro was at the show where we did not have our own booth. We were in our partner's booth with our product on display. And so that's really key. Electrification doesn't happen alone, and it doesn't happen with just startups trying to do their own thing, or just the incumbents trying to do their own thing. We need partnerships between the two to be able to take that expertise. Partners like the ones we have, have a phenomenal supply chain organization, phenomenal quality and production organization that can pull organizations like us to where we need to be.

And we have the flip side, we push the limits on differentiation. We don't take no. If that truck isn't going to climb, we're going to find a way to make it climb.

Rupert Merer^ Right. So, it doesn't sound like demand is going to be a limitation in the near term anyway.

Sue Ozdemir^ Agreed.

Rupert Merer^ Maybe if I could ask about liquidity. So, you're working on a credit line, you've got a little more capacity in some of your financings. And can you remind us how the prepayments can work on your deliveries for the propulsion systems?

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## Second Quarter Earnings

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Darrell Bishop^ Yes, thanks, Rupert. So as I highlighted, we had cash and cash equivalent at June 30 of about USD2 million. Subsequent to the quarter, we restructured our senior secured convertible to debenture, which then we extended to provide additional liquidity of about CAD9 million -- up to about CAD9.5 million. Additionally, we would've started to receive revenue from those 40 units of USD6.7 million through July. And so, and as I also highlighted, we're working on a facility -- working capital facility with a Canadian bank that will certainly step in and help with the inventory management as we go into Q4 and the end of this year.

Rupert Merer^ And will you see further prepayments to support your working capital as you ramp up deliveries?

Darrell Bishop^ Yes, thanks. As part of our agreement with one of our OEMs, there is a prepayment in place on some of the key components like motors and batteries, some of the larger ticket items. And what -- how that structure works is we are ordering and paying for those materials, and when we take receipt of those on American soil, prior to the production, we actually get a bailment on those items. That really helps from a working capital and an inventory management. I think what it also does is it really speaks to the quality of our partners and the dedication to electrification with Exro.

We are kind of all in it together. We've got some really fantastic partners on the other side of our contracts. We're not -- we don't feel like we're just a supplier, like we feel like we are in this as partners together in the electrification. And I think it's important to highlight as well that these contracts just initiated start of series production at the beginning of 2024. So, these vehicles are just getting into the field, getting into ultimately end customer hands. And the feedback on the technology and on those vehicles has been really positively received.

So, I think as more of these vehicles are in the market, we anticipate with our customers that even the strong demand that Sue highlighted that we have already will continue to garner market share for those end -- our end OEMs.

Rupert Merer^ Great. Thank you. I'll leave it there.

Darrell Bishop^ Thank you.

Operator^ Our next question comes from Chris Murray with ATB Markets. Please go ahead.

Chris Murray^ Yes, thanks folks. Good morning.

Sue Ozdemir^ Good morning, Chris.

Chris Murray^ Good morning. Sue, you made the comment about the fact that you're having to kind of make decisions on what to do development for on a go-forward basis. And look, this has been a pretty dynamic environment. That would be the understatement I think. There's some of

# Exro Technologies

## Second Quarter Earnings

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your partners that you previously called out that probably have changed their own business plans or having changes to be made. But, you talked a little bit about, kind of the three projects you've got on automotive -- certainly, there's the Linamar program, and a couple other ones.

But, I guess the other question is, is there anything that you've started to think about not doing? I mean, the Cell Driver seemed to get certification and that seems to be having some progress, but just trying to think about how your thought process is around high grading the opportunity set over the next couple of years.

Sue Ozdemir^ Yes, we definitely have had those conversations, both at an executive level, at a team level, and an executive board level. I think that there's kind of three categories that we would look in. So from a commercial trucking perspective, it's definitely our short term and our long term. But again, where we're delivering now beyond the two OEMs we have today, we continue to develop new partnerships. We're in, what I would call, late stage with our third OEM, that would come into our revenue profiles into kind of late 2025, early 2026, once we get through the whole program. But, we're kind of through all the simulations and working together and making sure we prove the tech in their pieces.

The passenger vehicle, we've already spoke about. What we took a step back from was two sectors. The first one was from a kind of two-wheel and the smaller sector. And again, it's important to note that this wasn't a technology-driven decision. Technology worked just as we wanted, but as the market slows down and now you have low volume and low profit, if profit at all, we decided that that wasn't a good use of our time. And so, we made cuts around those programs.

The second area, we had programs around kind of two core categories, those were motor OEMs and off-road applications. So, we had a partnership with a large off-road. Again, we proved through that partnership that we could turn a large diesel generator in an off-highway, do it efficiently, do it well, but their electrification programs were pushed out by two years to three years and still development [throughout]. So, we decided that that gate move wasn't worth the test. Doesn't mean that that isn't still there in the future, but for our short-term strategy, we've taken a step aside and put that on the shelf. And so I think that was a big one.

On the motor partnerships, what we learned over the last three years is, well, it's agnostic to all the motors, so we can work with all of the motors of the past and of what comes in the future. It takes a little bit of time. So, it ties up our dyno testing facilities, it ties up our software engineers, it takes a little bit of time. So, we decided that we have three large motor partners that we're working with right now, two of them being public, with TSA and Wolong, and one of them being under NDA today. And with those three, we knew that we had the ability to globalize, to fit into the SEA-Drive as we looked at the merger.

So, I can confirm that we have on order right now, our first motors that will go into some of our SEA-Drive partnerships. So, that's been a really great and accelerated part of the merger because

# Exro Technologies

## Second Quarter Earnings

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we didn't need to start from scratch and work our way through six months. So, I would say we won't expand past that, but those three partners will stay key to our core focus.

But two-wheel, it would take a big volume and a pretty aggressive OEM to take that technology off the shelf for us right now. Our move with HB4 earlier this year should signal that to the market. Well, we know it was a disappointment for some of our shareholders to see that we weren't manufacturing them at our headquarters in Calgary, it was a move towards that profitability target. And the customer has been a really supportive first development customer for us, with a great user on the other side in the commercial truck space with Casalini. So stayed within our core philosophy and allowed us to then move to a profitable position versus a non-profitable position by moving it to licensing.

It also allowed us to kind of work out the kinks in a very low-volume position on how we license. What does it mean? It's not a traditional licensing program, you're not just doing software. The hardware is really fundamental to how we license our things. And so, that allowed us to do that. So, I hope I answered your question there.

Chris Murray^ Yes, no, that's helpful. Thank you. My other question, similar to maybe some of the earlier questions about SEA. One of the things about Exro I think, as you guys have been growing it up, you've been pretty disciplined about kind of the technology readiness and building the infrastructure around getting ready to go kind of longer term. I guess in listening to this, when I hear about things like supply chain and some of the other issues that are there, are there things that you've learned from how you were doing development at Exro that maybe are applicable to maybe what you're seeing with SEA right now?

And are there things that you could maybe accelerate? You talked about getting cost-out, some of that's working well, but it feels like you've kind of bottlenecked on supply chain. And just trying to understand maybe that the -- call it even the direct cost and the operating costs and how those evolve over time, from the SEA business as you guys continue to ramp.

Sue Ozdemir^ Most definitely there's been a lot that we could implement again. What we underestimated was how hard that implementation was going to be. And so, I would say that the core kind of thing is how you forecast. And so, SEA was moving from less than 30 vehicles in an entire year to hundreds of vehicles in an entire year -- thousands. And so, that -- they had underestimated that industrialization, that scaling is really, really hard. And sometimes it's just, the software systems that are backing it, your core tooling, your infrastructure.

I think where we still have to be careful in one of the challenges, and again, sometimes they're difficult decisions. We're definitely expediting deliveries and doing things we need right now to make sure our customers get their deliveries, but we're balancing that with some choices around we might be able to do something slightly quicker, but it's going to really be at the cost of our profits.

# Exro Technologies

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And so, we're trying to balance, customer-first always, making sure that we are doing everything we can as best as we can to scale with the customers and thankfully, they're holding our hand and pulling us up with them. And then secondly, we're trying to implement these core structures. Something we were really strong with that I do think has really, really helped is our focus on quality. And I think the work done by the quality teams over the past 90 days has been really instrumental in what will allow us to get that longer-term ramp and we'll show those processes.

Chris Murray^ Okay. That's interesting. Just a final question for me, just -- again, back to kind of liquidity and cash flows. You talked -- I think Darrell, you mentioned the -- you probably drew down, call it, the CAD9.5 million, the USD7 million on the convert. Just wondering, other sources of capital, while you're trying to get the -- while you're trying to get pre-delivery payments or working capital bridge in place, what else is out there available to you, just thinking about the option book or anything else that may be out there, and any change in your expectations for burn rate over the next few quarters?

Darrell Bishop^ Yes, thanks, Chris. I think when we look at the options that are out there, one thing that is really beneficial with the SEA Electric acquisition is we now have revenue and when it comes to revenue, that opens a much larger toolkit in terms of the options that will be out there, creative structures, things that are around the non-dilutive side of the balance sheet. And so we're exploring all of those pretty in depth. We've got ongoing discussions there, no guarantees, but we've got ongoing discussions, especially when you look at the quality of the revenue on the other side and who that revenue is associated with. So, it's a significant de-risking for anyone on the lending side. And so, yes, we're optimistic that we'll have those structures in place.

We're looking at all things across the balance sheet to continue to fund the business and make our deliveries ultimately to customers, and grow into a profitable position in 2025. From a cost-out perspective, we've got -- I would say -- I wouldn't provide guidance on what the cost-out will be, but we made some pretty significant cuts already through the first 90 days or 100 days now, I guess, including July post the quarter, where we're focused on -- we've realized USD7.5 million in annualized savings. You'll start to see that come in over the coming quarters here with headcount reductions, facilities closures and things of that nature.

So, we are driving down those costs and that is something that we are pushing through the business and the leadership of the business on a daily basis and look forward to delivering on that and a stronger bottom line in 2025.

Chris Murray^ Okay, thanks. I'll leave it there.

Darrell Bishop^ Thanks, Chris.

Operator^ We'll move next with Brittney Fidelia with Maxim Group. Please go ahead.

Brittney Fidelia^ Hi, good morning. I was just wondering if you can comment on the next steps within your Linamar deal.

# Exro Technologies

## Second Quarter Earnings

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Sue Ozdemir^ Right. Our previous milestone was being at the ACT show in the Linamar booth, which we did in May. And right now, we are working with them on a co-marketing program that allows us to go out to customers and to be able to market the differentiation in the Coil Driver. So, it is slightly delayed right now. Again, just from -- obviously, we're coming to the end of the summer, but the program itself is on track for what we anticipated and what ties into our financials.


Brittney Fidelia^ Okay, got it. Thank you. That's all.

Sue Ozdemir^ Thank you.

Operator^ And that will conclude our Q&A session. I will now turn the call over to Jeff O'Dowd for closing remarks.

Jeffrey O'Dowd^ Thank you all for joining today's call. A full transcript will be available shortly. Should you have any additional questions, please feel free to email me at [jodowd@exro.com](mailto:jodowd@exro.com), and have a great day.

THIS IS **EXHIBIT "F"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



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SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

IA: MAX TROJAN

## File Notes

Client: <u>EXRO Q2 Earnings Call</u>		Date: <u>AUG 15, 2024</u>	
<input type="checkbox"/> Telephone Call	<input type="checkbox"/> Meeting in Office	<input type="checkbox"/> Meeting Outside	Location:

Trades: BUY

Trades: SELL

## Notes:

Q&amp;A session \* 1

unexpected delays

production ramp on commercial sales volume

programs on clear path to profitability &lt; 12 months

technology disruption starts with SeaDrive revenue

&amp; integrating CD timeline (2ND H 2025)

class 5-7 OEM delivery

licensing strategy to automotive OEM partners

hybrid propulsion ongoing (better than expected results)

capex expensive, supply chains, team building

all technology milestones met

developing to scale in to passenger vehicle sales

5.3MM tech sales

36 propulsion

6.7MM recall + critical

+ 40

commercial  
trucking sectorelement  
shortage

8.0MM cost of capital on deliveries

Bank loc. by Q3/early Q4

aiming for 250 by Q3: main issues recovering critical elements

Pipeline 3 programs in automotive

Sales back-log colour - demand is strong "to arrive online"

Liquidity additional 9.5

40 units 6.7

Bank LOC.

motors & batteries  
electrification partners

Client has been made aware of:

☐ Trade Charges:☐ Trailers:☐ Loads:

IA: MAX TROJAN.

## File Notes

Client: <u>EXRO</u>	Date: <u>JULY 2024</u>
<input type="checkbox"/> Telephone Call <input type="checkbox"/> Meeting in Office	<input type="checkbox"/> Meeting Outside Location: _____

Trades: BUY

Trades: SELL

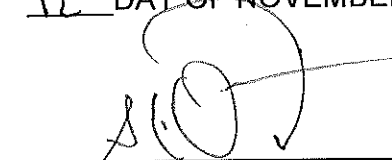
## Notes:

- ① 3.9 MM shares short CAN  
0.75 MM -11- USD
- ② Are earnings in-line?
- ③ What's the Communications strategy?
- ④ Joint Marketing w/ Linamar
- ⑤ IATF certification:
- ⑥ ESS status? # of orders?
- ⑦ GM & Ford EV pullback
- ⑧ Vestecor strategy?
- ⑨ Was revolving line of credit secured? If not, why?
- ⑩ How much more are you looking to issue?
- ⑪ How does Coil Drive stand → What's the demand?
- ⑫ Where are NDA's?
- ⑬ Why not sell your battery Tech to EV companies

Client has been made aware of:

- ☐ Trade Charges: \_\_\_\_\_
- ☐ Trailers: \_\_\_\_\_
- ☐ Loads: \_\_\_\_\_

THIS IS EXHIBIT "G" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.

A handwritten signature in black ink, appearing to read 'S. Nematollahi', is written over a horizontal line.

SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

IA: \_\_\_\_\_

## File Notes

Client: EXRO Q2	Date: SEPT 24, 2024.
<input checked="" type="checkbox"/> Telephone Call <input type="checkbox"/> Meeting in Office SUE O. + DARRELL B.	<input type="checkbox"/> Meeting Outside Location:

Trades: BUY

Trades: SELL

Notes:

EXRO has broken into the automotive industry (hard to do).

Canaccord earned 10%

Sector is crushed - opportunity is reset

Unlikely to reinstate

Supply &amp; liquidity has been addressed

10-50% plus Q over Q growth

Mack/Hino are not looking elsewhere (100% committed)

Large institutions are supportive year over year  
if tech works then you will get there

Sue at next week at Volvo/Mack HQ

Order in place Budderfly. Focussed on demo's

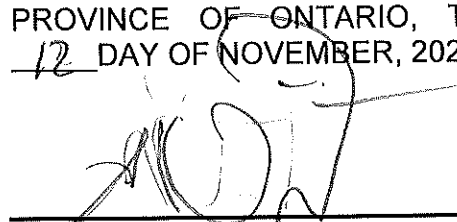
Wolong wants a higher voltage program in time

Mack relationship continues to expand (mergu waopatz)

Client has been made aware of:

- ☐ Trade Charges: \_\_\_\_\_
- ☐ Trailers: \_\_\_\_\_
- ☐ Loads: \_\_\_\_\_

THIS IS **EXHIBIT "H"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
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12 DAY OF NOVEMBER, 2025.



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SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("Exro", the "Company", "we", "our") during the three and nine months ended September 30, 2024, 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 the three and nine months ended September 30, 2024 and the December 31, 2023 audited consolidated financial statements and MD&A, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). This MD&A complements and supplements but does not form part of the Company's condensed consolidated interim financial statements.

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 14. 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 November 13, 2024.

**BUSINESS OVERVIEW**

Exro Technologies Inc. is a leading clean-technology Company focused on developing next generation power-control electronics that expand the capabilities of electric motors and batteries. The Company's innovative motor control and electric propulsion technologies, Coil Driver™ and SEA-Drive®, are designed to bridge the performance-cost gap in e-mobility, while its patented battery control technology, Cell Driver™, supports stationary energy storage for commercial and industrial applications. Together, these solutions accelerate the transition to a circular electrified economy by delivering maximum performance with minimal energy consumption.

Exro's patented technologies enable cost-effective and efficient systems for e-mobility and energy storage. This approach enables the Company to accelerate the development of its partners' commercial trucks and passenger vehicles so they are affordable, perform to real-world requirements, and are easy to scale.

Exro has developed its disruptive technology through multiple years of research and development ("R&D"), automotive certification and manufacturing experience, and on-road validations with multiple partnerships.

**KEY HIGHLIGHTS FOR Q3 2024**

Exro achieved several strategic objectives in the third quarter of 2024. A summary of select key objectives is included below:

- Delivered 74 e-propulsion systems to blue-chip OEM customers, a 106% increase over Q2 2024 and a new quarterly record
- Achieved record quarterly revenue of approximately \$11.0 million, a 108% increase over Q2 2024
- Continued to further exceed targeted bill of material costs and savings of 5% by the end of 2024, recognizing over 18% since closing the merger with SEA Electric on April 5th
- Recognized cumulative annual business cost-savings of more than US\$15 million against a 2024 target of US\$10 million through head-count reductions, facility closures, and operational efficiencies
- Announced a pilot program integrating the Company's Coil Driver™ inverter technology with Exro's proprietary EV propulsion system that powers SEA Se, a Class 5 Battery Electric Truck that is built on Hino's Class 5 Rolling Cab Chassis
- On September 16<sup>th</sup>, 2024 Exro announced that it completed its public offering for proceeds of \$25 million
- On September 26<sup>th</sup>, 2024 Exro announced Stellantis N.V. as its automotive OEM partner, lifting a more than year-long non-disclosure agreement ("NDA").

**UPDATE ON SEA ELECTRIC INTEGRATION**

On April 5, 2024, Exro completed its merger with SEA Electric. The Company expects this transaction to accelerate its growth trajectory by enabling Exro to deliver electric propulsion systems to top Blue-Chip OEMs as well as further accelerate the deployment of Exro's core disruptive motor and battery control technology. The following is an update on the Company's core strategy and progress on the key milestones of increased revenue, path to profitability, and technology integrations.

The Company made significant progress in the third quarter on several fronts. First, the Company shipped 74 completed e-propulsion systems, which is a quarterly record. Exro also delivered its largest quarterly revenue to date and continued to drive costs savings in both the design of the Coil Driver® and its cost structure.

**Merger Synergies**

The merger with SEA Electric marked a transformational next step for Exro's core technology offerings as management recognized the significant opportunity in gaining access to top OEM contracts.



The initial deal synergies were motivated by three key pillars:

1. **Technology Disruption:** Exro's combined technology portfolio created the opportunity to accelerate its commercialization path with the integration into the full SEA-Drive® propulsion system. This integration allows the Company to reduce costs, onshore the manufacturing of critical components in North America, and differentiate from market incumbents by delivering superior performance without compromising on price.
2. **Consistent Growth:** In-production contracts allowed Exro to quickly recognize material revenue through existing OEM partnerships, leading to steady demand which is expected to drive further scale and efficiencies.
3. **Path to Profitability:** Management is focused on programs that have a clear path to profitability with top global OEMs in the second half of 2025.

#### Disrupting with Patented Technology

The merger with SEA Electric offered Exro the opportunity to expand its technology offerings with a new stream of revenue through the SEA-Drive® propulsion systems, while integrating Exro's proprietary Coil Drive® motor control technology into the SEA-Drive® system. This integration allows Exro to differentiate its product through both performance and price. The integration of the Coil Drive® into all series production SEA-Drive® propulsion systems remains on track for the second half of 2025. Once integrated, Exro's USMCA approved technology is estimated to provide over 5% system efficiency while materially reducing system cost by removing the dependencies on mechanical components such as large, oversized motors and batteries, and on-board chargers. The merger has provided Exro the opportunity to integrate the technology and expand to deliver three key technologies to the market:

- 1 Full electric propulsion systems targeting a turnkey solution that is available now for Class 4-8 commercial trucking OEMs;
- 2 A traction motor-inverter drive train system where Exro's Coil Driver™ is paired with industry leading motor partners to deliver best-in-class performance commercial trucking; and,
- 3 A stand-alone traction inverter motor control designed on spec with leading passenger vehicle OEMs.

#### Business Model - Commercial and passenger vehicle

Exro's transformation includes key shifts in the Company's strategy that provide the foundation for a profitable future through measured growth and scale. In the third quarter, Exro focused on developing partnerships with the top OEMs which it believes will deliver against its core pillars of incremental growth, profitability and technology disruption. In September, Exro announced its leading global automotive OEM partner, Stellantis N.V., as a passenger vehicle innovation program partner – lifting a more than yearlong NDA. This announcement followed approximately fourteen months of work completing the first phase of the program focused on integrating the Exro Coil Driver® technology into Stellantis' next generation powertrains. Exro continues to make additional progress with two other global passenger vehicle OEMs: one involving Coil Driver® for hybrid propulsion system applications and the other OEM program focused on full battery electric. In technical collaborations with this leading OEM involving hybrid, through advanced simulations Exro has successfully demonstrated significant increases in system efficiency and range extension. While the development cycle is longer on passenger vehicles than commercial vehicles, the ability of Exro's technology to operate across multiple electric propulsion systems (hydrogen, hybrid and full battery electric) offers the potential for significant licensing revenue.

On the commercial vehicle front, recent pilot results with Giffone in Brazil demonstrated Exro's industry leading performance. In on-road pilots with an industry-leading beverage company, a fully loaded 17-tonne commercial electric delivery vehicle equipped with Exro's Coil Driver® successfully navigated an 18% grade at speed.

Exro also continued its development of Coil Driver's™ control of motors that have no heavy rare earth metals. The electrification industry's dependence on heavy rare earth metals is an important concern for OEMs today as it relates to key geopolitical issues. The Company's innovation pipeline supports the need for technology like Coil Driver™ which provides material cost benefits across the vehicle systems and delivers solutions for supply issues like heavy rare earth metals.

#### Growth and profitability

In Q3 2024, Exro continued to make progress while navigating the initial challenges related to the merger with SEA Electric and the industry backdrop. Specifically, the ordering and delivery of supply chain parts began to return to a normalized run-rate. In the third quarter, Exro achieved record revenue of approximately \$11.0 million. Revenue was generated directly from technology sales of 74 e-propulsion systems and driven by investments in Exro's core infrastructure which has both improved the production process and lowered the cost structure. The Company remains focused on driving down additional costs and increasing output while managing program development and efficient cycling and management of cash.

The Company continued its focus on reducing operating expenses by streamlining its operations and supply chain. At April 5<sup>th</sup>, 2024 the Company set an annualized operating cost savings target of US\$10 million for calendar 2024. Exro is pleased to report that to date the Company has achieved more than US\$15 million in cost savings, having reduced its headcount by approximately 35% in the last six months, consolidating facilities, and recognizing operational efficiencies. Additionally, the Company continues to drive down costs related to the bill of materials of its e-propulsion system having recognized more than 18% savings with visibility to an additional 20% by the end of Q2 2025. Finally, the Company also continues to drive costs from the Coil Driver™ design through integrated packaging



and by reducing the device footprint and quantity of silicon required, while achieving the same performance. These initiatives are expected to drive Exro toward achieving its target of cash flow profitability in the second half of 2025.

Exro is well-positioned to meet the evolving needs of the EV market. With industry-leading technology, consistent growth in deliveries to blue-chip OEM customers, and a strong focus on profitability, the Company is set to penetrate the commercial truck market and build on this success as it expands into the passenger vehicle segment.

## RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

### Selected quarterly financial data

	Quarter Ended	Revenue from continuing operations (\$'s)	Net Loss (\$'s)	Basic and diluted loss per common and preferred share (\$'s)	Weighted average number of common and preferred shares
Q3	September 30, 2024	10,975,605	(225,948,223)	(0.43)	524,534,634
Q2	June 30, 2024	5,270,259	(25,207,109)	(0.05)	490,157,725
Q1	March 31, 2024	87,828	(12,867,234)	(0.08)	170,077,862
Q4	December 31, 2023	—	(18,769,546)	(0.11)	169,405,378
Q3	September 30, 2023	—	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	—	(12,995,906)	(0.08)	158,685,036
Q1	March 31, 2023	—	(8,163,404)	(0.05)	149,820,687
Q4	December 31, 2022	—	(12,880,152)	(0.08)	146,217,420

The Company generated revenues for the three months ended September 30, 2024 of \$10,975,605 through the delivery of its proprietary SEA Drive®. The Company continues to fulfill its sales and supply agreements with blue-chip OEMs. By prioritizing these programs, Exro has been able to accelerate the integration of its Coil Driver® technology, which is expected to drive additional gross margin from these programs in 2025.

Exro discontinued its engineering services division in the second quarter of 2024 through the sale of assets and the related workforce in the period. With the acquisition of SEA Electric, this division became redundant given a duplication of engineering skill sets acquired with the merger. Revenue earned from discontinued operations for the three and nine months ended September 30, 2024 was \$3,529 and \$2,314,913 respectively. The disposition of the business unit served to reduce operating costs and focus on the Company's delivery of its core products including the Coil Driver® and SEA Drive®.

Further, the Company continues to incur expenses in the progression to volume production, development and validation of its Coil Driver™ and Cell Driver™ through continued testing and development of its products. While the Company continues to focus on R&D with respect to its Coil Driver™ and Cell Driver™, reduced costs were realized in the period as the Company largely procured materials needed for the current development. The Company expects to incur additional costs going forward as the products progress through the integration into its revenue generating programs. The Company incurred a total net loss in for the three months ended September 30, 2024 of \$225,948,223 (inclusive of impairment expense), up from \$10,694,314 for the three months ended September 30, 2023. The primary increase in costs is related to impairment expense recognized of \$211,002,670 on the write-down of goodwill and intangible assets. The Company identified indicators related to the decrease in market capitalization, and revised forecasts. The goodwill and intangible assets were acquired through the acquisition of SEA Electric on April 5, 2024.

The Company saw an increase in its gross profit, before inventory provisions, compared to the second quarter of 2024, along with the increase in revenue generated from the sales of SEA Drive® in Q3 2024. Further, the Company saw non-recurring expenses of \$4,579,374 and \$7,712 related to transaction costs for the three and nine months ended September 30, 2024 respectively. Additional expenses were incurred on the restructuring, including severance costs, and integration related costs as the Company focuses on integration activities in order to realize synergies between the businesses. The Company recognized higher non-cash costs related to depreciation of \$11,100,710 in the period related to the acquisition of intangible assets, offset by gains on the fair value adjustments to the senior secured promissory notes of \$2,620,728 and the liability classified warrants of \$3,073,586.



**For the three months ended September 30, 2024, compared to the three months ended September 30, 2023**

**Revenue from continuing operations**

	For the three months ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Revenue	10,975,605	—	10,975,605	100 %
Direct operating costs, excluding amortization	12,630,025	—	12,630,025	100 %
Inventory provision	610,053	—	610,053	100 %
Gross profit, excluding amortization	(2,264,473)	—	(2,264,473)	100 %

Revenue from continuing operations for the three months ended September 30, 2024 of \$10,975,605 was generated from the delivery of 74 electric propulsion units, delivered in the US. While revenue was recognized against the delivery of 74 units, the Company continues to build vehicles for delivery into Q4, which included \$7,102,797 recognized as work-in-progress as at September 30, 2024.

Revenue recognized relates to agreements which have been fully delivered during the period. Amounts collected prior to the delivery on the Company's agreements are recorded as unearned revenue until such time all performance obligations have been completed. As at September 30, 2024, the Company recognized unearned revenue of \$2,722,992, which relates primarily to deposits received in advance from the Company's customers.

Direct operating costs, excluding amortization from continuing operations increased to \$12,630,025 for the three months ended September 30, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units, excluding the amortization related to intangible assets acquired. The Company realized gross profit before inventory provision of \$1,654,420 for the three months ended September 30, 2024, representing an increase in gross profit realized from Q2, which was a result of the Company's decrease in additional fees related to expediting of materials, and continued focus reduction in the bill of materials cost through strategic sourcing.

The Company recognized a provision against inventory of \$610,053, as a result of realized negative margins, to adjust inventory on hand to its net realizable value. The amount is a non-cash adjustment, and relates to inventory which will be delivered against the Company's purchase orders in subsequent periods.

**Selling, general and administration**

	For the three months ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Selling, general and administration	3,370,888	2,584,827	786,061	30 %

Selling, general and administration expense increased during the three months ended September 30, 2024 by \$786,061 to \$3,370,888 (September 30, 2023 – \$2,584,827). The increase is primarily related to the larger combined Company post merger with SEA Electric and attributable to:

- Higher professional fees incurred in the period, related primarily to tax, legal, and accounting related fees. The fees have increased with the increase in operations through the acquisition of SEA Electric;
- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Increase in office and general costs, including software and licenses, and computer and internet directly related to the acquisition of SEA Electric in the period;
- Higher travel related expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries;
- Offset by lower office and general expenses such as software and licenses, which is directly linked to the reduction in the prior period, with cost savings realized in Q3.

**Payroll and consulting**

	For the three months ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Payroll and consulting fees	8,067,593	3,554,502	4,513,091	127 %

Payroll and consulting fees increased during the three months ended September 30, 2024 by \$4,513,091 to \$8,067,593 (September 30, 2023 – \$3,554,502). The increase is directly related to the acquisition of SEA Electric, and the increase in headcount resulting from



merger, which was subsequently reduced through rationalization of duplicate functions. The cost savings related to the reduction in headcount have been realized through the later half of Q3.

The Company focused on restructuring its workforce during the period through the removal of duplicate roles across the business, and the disposal of its engineering services division

#### Research and development

	For the three months ended		\$ Change	% Change
	September 30, 2024	September 30, 2023		
Research and development	40,013	1,400,796	(1,360,783)	(97)%
Payroll and consulting fees (related to R&D)	1,224,377	1,521,446	(297,069)	(20)%
Share-based payments	3,377	174,020	(170,643)	(98)%
Research and development	1,267,767	3,096,262	(1,828,495)	(59)%

Research and development costs decreased by \$1,828,495 to \$1,267,767 (September 30, 2023 – \$3,096,262) for the three months ended September 30, 2024. The costs are related to those incurred directly in continuing operations. The Company continues to focus on the delivery of its Coil Driver™ and Cell Driver™ through to production. The decrease was seen primarily through the reduction in material costs and outside service fees incurred in the period, coupled with a reduction in payroll related costs related to the reduction in its headcount.

Exro continues to invest in innovation of its core technology, evidenced through successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in 2024 has been on cost out efforts to reduce material costs and packaging size.

#### For the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023

##### Revenue from continuing operations

	For the nine months ended		\$ Change	% Change
	September 30, 2024	September 30, 2023		
Revenue	16,333,692	—	16,333,692	100 %
Direct operating costs, excluding amortization	20,804,169	—	20,804,169	100 %
Inventory provision	610,053	—	610,053	100 %
Gross profit, excluding amortization	(5,080,530)	—	(5,080,530)	100 %

Revenue from continuing operations of \$16,333,692 was generated from the delivery of 110 electric propulsion units, delivered in the US and Australia.

Direct operating costs, excluding amortization from continuing operations increased from \$20,804,169 for the nine months ended September 30, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units. The Company realized an increase in the gross margin in the period, achieved through the continued cost out efforts and strategic purchasing plan to reduce additional fees related to expediting material purchases.

The Company recognized a provision against inventory of \$610,053, as a result of realized negative margins, to adjust inventory on hand to its net realizable value. The amount is a non-cash adjustment, and relates to inventory which will be delivered against the Company's purchase orders in subsequent periods.

##### Selling, general and administration

	For the nine months ended		\$ Change	% Change
	September 30, 2024	September 30, 2023		
Selling, general and administration	10,956,645	7,488,825	3,467,820	46 %

Selling, general and administration expense increased during the nine months ended September 30, 2024 by \$3,467,820 to \$10,956,645 (September 30, 2023 – \$7,488,825). The decrease is primarily attributable to:

- Increase in professional fees related to the merger with SEA Electric, which closed on April 5, 2024. The increase in professional fees also included higher legal, tax and accounting related costs, along with costs directly related to certifications



such as ISO standards and ETL certification to UL standards for the Company's cell Driver™, which was achieved in the first half of 2024.

- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Increase in office and general costs, including subscriptions and licenses, insurance expense, and computer and internet directly related to the acquisition of SEA Electric in the period, which have subsequently seen a reduction through Q3 compared to Q2; and
- Higher spend for the nine months ended September 30, 2024 on office and general expenses, primarily related to software and licenses directly linked to the increase in headcount as a result of the merger.

#### Payroll and consulting

	For the nine months ended		\$ Change	% Change
	September 30, 2024	September 30, 2023		
Payroll and consulting fees	20,364,410	11,222,640	9,141,770	81 %

Payroll and consulting fees increased during the nine months ended September 30, 2024 by \$9,141,770 to \$20,364,410 (September 30, 2023 – \$11,222,640). The increase is directly related to the acquisition of SEA Electric, and the increase in headcount resulting from the merger. Payroll and consulting fees included severance payments of \$667,411 which were incurred as part of the restructuring and realignment of the business in order to realize operational synergies.

#### Research and development

	For the nine months ended		\$ Change	% Change
	September 30, 2024	September 30, 2023		
Research and development	3,161,526	3,116,983	44,543	1 %
Payroll and consulting fees (related to R&D)	4,432,231	4,330,512	101,719	2 %
Share-based payments	37,428	510,280	(472,852)	(93)%
Research and development	7,631,185	7,957,775	(326,590)	(4)%

Research and development costs decreased by \$326,590 to \$7,631,185 (September 30, 2023 – \$7,957,775) for the nine months ended September 30, 2024. These costs primarily consist of engineering resources, consulting, and materials to commercialize the Company's technologies to production. Changes to the research and development amounts are as follows:

- Payroll and consulting fees are directly related to engineering resources required for the development and validation of Exro's products. Amounts allocated from payroll remained consistent for the nine months ended September 30, 2024, and are directly related to the Company's delivery on projects and partnerships in order to reach commercialization.
- Increase in direct research and development costs related to higher material costs allocated to research and development in the period as the Company continues to deliver sample units; and
- Additionally the Company increased R&D expenses related to the acquisition of SEA Electric, and ongoing projects inherited through the merger.

Exro continues to invest in innovation of its core technology, evidenced with successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in H1 2024 was on cost out efforts to reduce material costs and packaging size.

#### RESULTS FROM DISCONTINUED OPERATIONS

On June 14, 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc. entity for a cash consideration of \$304,872. This resulted in discontinuing the operations and engineering services provided by Exro Vehicle Systems Inc. Exro Vehicle Systems Inc. represents a separate major line of business within the Company, therefore, its results have been classified as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.



**(a) Results from discontinued operation**

The following table summarizes the Company's financial results from discontinued operations:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Revenue	3,529	2,032,669	2,314,913	4,800,730
Cost of sales	2,345	959,594	1,538,050	2,508,252
<b>Gross Profit</b>	<b>1,184</b>	<b>1,073,075</b>	<b>776,863</b>	<b>2,292,478</b>
<b>EXPENSES</b>				
Research and development	733	132,346	481,236	393,284
Selling, general and administration	33,137	293,998	218,211	667,086
Depreciation expense	96,509	95,811	299,026	280,275
Interest expense	290	30,427	56,575	102,196
<b>TOTAL EXPENSES</b>	<b>(130,670)</b>	<b>(552,582)</b>	<b>(1,055,049)</b>	<b>(1,442,841)</b>
Other income (loss)	207	45,438	135,861	57,946
Gain (Loss) on disposal of assets	154	—	100,776	—
Foreign exchange gain (loss)	1	(93)	608	(2,229)
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(129,124)</b>	<b>565,838</b>	<b>(40,941)</b>	<b>905,354</b>

**(b) Cash flows from (used in) discontinued operation**

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Cash flows from operating activities	382,914	(436,707)	687,055	1,384,334
Cash flows from investing activities	(35,000)	(258,852)	67,691	(825,138)
Cash flows from financing activities	(437,475)	(249,679)	(912,444)	(241,472)
Impact of foreign currency translation	32,422	32,158	36,531	9,811
<b>Net cash flow for the period</b>	<b>(57,139)</b>	<b>(913,080)</b>	<b>(121,167)</b>	<b>327,535</b>

**OUTSTANDING SHARE DATA**

As of November 13, 2024, there were 496,955,582 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of November 13, 2024	Number outstanding as of September 30, 2024
Common shares issued and outstanding	496,955,582	425,169,468
Preferred shares issued and outstanding	94,991,855	160,589,446
Options	13,132,990	13,151,430
Warrants	69,905,510	69,905,510
RSUs	5,223,311	11,411,834
PSUs	663,125	663,125

The Company issued 146,453,200 common shares, 160,589,446 convertible preferred shares, 15,457,723 RSUs, 4,085,873 options, and 53,550,227 warrants in connection with the close of the acquisition of SEA Electric on April 5, 2024. The Company issued an additional 106,600,450 common shares for gross proceeds of \$30,020,000, on the conversion of Subscription receipts issued February 16, 2024 to common shares on close of the transaction. On September 13, 2024 the Company issued an additional 71,429,000 common shares for gross proceeds of \$25,000,150, including the issuance of 3,571,450 shares issued as a finders fee in connection with the raise. The Company issued 37,500,225 warrants and 2,857,160 broker warrants as part of the equity financing closed on September 13, 2024.



## SOURCES AND USES OF CASH

	For the nine months ended	
	September 30, 2024	September 30, 2023
Cash used in operating activities	(47,191,396)	(31,073,263)
Cash used in investing activities	(1,948,254)	(6,305,603)
Cash provided by financing activities	56,064,707	39,742,868
Impact of foreign currency translation	876,419	(107,151)
Net increase in cash and cash equivalents	7,801,476	2,256,851
Ending cash balance	14,042,652	19,700,822

Cash used in operating activities increased to \$47,191,396 for the nine months ended September 30, 2024 compared to \$31,073,263 during the same period in 2023. The increase in cash used in operating activities related to the production and assembly of SEA Drives® in the period, as well as transaction costs incurred as the Company completed the acquisition of SEA Electric. Further the Company saw an increase in payroll expense in the period as a result of the increased headcount while the Company completed various restructuring activities, including a reduction in the workforce of the combined entity. The Company realized a decrease in cash used in operating activities compared to Q2 2024.

Cash used in investing activities of \$1,948,254 for the nine months ended September 30, 2024 was related to the purchase of capital equipment related to the Company's testing capacity and production facility.

Cash provided by financing activities for the nine months ended September 30, 2024 increased to \$56,064,707 compared to cash provided from financing activities of \$39,742,868 during the same period in 2023. Cash from financing activities was primarily attributable to the equity raise completed in conjunction the acquisition of SEA Electric and additional raise completed in Q3 2024, and was primarily used to fund operating activities.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2024, the Company had cash of \$14,042,652 and accounts payable of \$31,322,781 and accrued liabilities and other payables of \$4,608,539 due within one year.

### Going Concern Assumption

These condensed consolidated interim financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, on a going concern basis, which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the nine-month period ended September 30, 2024, the Company generated a net loss of \$264,022,566 (September 30, 2023 - \$31,853,624) and negative cash flows from operating activities of \$47,191,396 (September 30, 2023 - \$31,073,263). As at September 30, 2024 the Company has an accumulated deficit of \$415,487,328 (December 31, 2023 - \$151,464,762) and a working capital surplus (current assets less current liabilities) of \$8,226,466 (December 31, 2023 - working capital surplus of \$8,303,911). The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of the cash on hand of \$14,042,652 as at September 30, 2024. The Company has current financial liabilities of \$21,330,572 in excess of cash and accounts receivable, and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to September 30, 2024. The Company is actively managing its liquidity pending additional financing. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

On April 5, 2024 the Company closed the plan of arrangement and merger with SEA Electric Inc. ("SEA Electric") (note 5), and a concurrent capital raise of \$30,020,000 through the issuance of 31,600,000 common shares. In conjunction with the merger, the Company has taken a number of steps in restructuring its operations in order to reduce the combined operating expenses, including reducing the combined entity's employee headcount through the removal of redundant roles. The Company may be required to take additional restructuring measures in the near term; however, there can be no assurances that any such efforts that have been taken, or may be taken, will sufficiently reduce the Company's operating cash burn, as such, there can be no assurance that the Company will be able to continue as a going concern and continue to pay its obligations and liabilities before they come due.



The Company restructured the senior secured convertible promissory notes (note 12) on July 22, 2024, and secured additional debt financing under the Notes, of US \$3.0 million on July 22, 2024 and USD \$2.0 million August 19, 2024. Additionally, on September 13, 2024 the Company closed a bought deal financing, raising gross proceeds of \$25.0 million to fund short-term working capital.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## IMPAIRMENT

Intangible assets and goodwill are tested for impairment in accordance with the Company's accounting policy. Management reviews the carrying value of its intangible assets and goodwill at each reporting period for indicators of impairment. In addition, management will test the recoverable amount of goodwill annually.

The Company's CGUs are determined based on its production offerings, including Exro SEA Drive, Coil Driver, and Cell Driver. Goodwill of \$140,627,301 and intangible assets of \$104,855,452 have been allocated to the Exro SEA Drive CGU, which was acquired on April 5, 2024 through the acquisition of SEA Electric. During the period ended September 30, 2024, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, compared to the forecasts at the time of acquisition, as a result of slower adoption rates in the EV industry than originally forecasted. The Company recognizes this is an indicator of impairment, which warrants an assessment of the recoverable amount of its cash generating units ("CGU"). The indicators are directly related to the Exro SEA Drive CGU

The recoverable amount of the CGU was determined based on the fair value less cost of disposal ("FVLCD"). The Company estimated the recoverable amount based on the discounted cash flows to be generated from continuing operations for the Exro SEA Drive CGU. Cash flow assumptions are based on a combination of historical results, and expected future results.

- Expected revenue growth, linked to production volumes
- Expected decrease in cost of production per unit
- Discount rate

Revenue growth rates for the Exro SEA Drive are based on a forecasted production volumes with the Company's OEM customers, incorporating expected pricing and cost improvements and efficiencies over the Company's forecasted period, based on budgets and forecasts reviewed by the Company's Board of Directors. The expected revenue growth rates range from 160% to 24% from 2025 through 2029.

The cash flows are prepared on a five-year basis, using a discount rate of 30%. The discount rate was derived from the Company's weighted average cost of capital, adjusted for specific risk factors to the Company. Cash flows from beyond the five-year period are extrapolated using a constant growth rate of 2.0%, and an annuity period of 20 years.

A comparison of the recoverable amounts for the Exro SEA Drive CGU to the carrying value resulted in an impairment expense of \$211,002,670. The Company recognized a write-down of goodwill of \$140,971,269, and \$70,031,401 of impairment on the intangible assets acquired. The remaining carrying value of the SEA Drive CGU is \$122,937,929 after impairment.

A sensitivity analysis on the discount rate, and expected future production, would have the following impact on the September 30, 2024 impairment:

	(Increase) Decrease in Impairment Expense
	September 30, 2024
10% Increase in forecasted annual production	13,542,269.00
10% decrease in forecasted annual production	(15,935,793.00)
1% increase in discount rate	(4,998,883.00)
1% decrease in discount rate	5,217,291.00

Assumptions that are valid at the time of preparing the impairment test at September 30, 2024 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to its CGUs on an ongoing basis.

## INVESTMENT

On February 9, 2021, the Company announced a collaboration agreement with SEA Electric Holdings Pty Ltd. ("SEA Electric"). As part of the agreement, Exro invested US\$5,000,000 in SEA Electric by subscribing for 124,380 Series A Preferred Shares at a price of



US\$40.1995 per share. The shares are convertible into common shares of SEA at the option of Exro and automatically convert to common shares under certain conditions, including SEA completing a going public transaction.

On April 5, 2024 the Company completed the acquisition of SEA Electric. The investment balance was recorded at the fair value based on the consideration paid to the former shareholders of SEA, and the amount recognized as part of the consideration paid for the business. As at April 5, 2024 the fair value of shares held in SEA Electric were valued at \$56.06 USD per share, based on Exro's closing share price on April 5, 2024 of \$0.85, for a total value of US\$5,141,810. The amount was recorded at \$6,973,067 and included in consideration for the acquisition of SEA Electric.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the three and nine months ended September 30, 2024.

#### CRITICAL JUDGMENTS

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

- i. Management is required to assess the functional currency of the Company and its subsidiaries. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- ii. 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.
- iii. Where the fair value of financial assets and liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Where the fair value cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
- iv. Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and equity components. The debentures consist of a financial liability which represents the obligation to pay coupon interest on the convertible debentures in the future, a freestanding equity classified share purchase warrant, and an equity component related to the ability to convert the debenture to common shares at the option of the holder.

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability and equity components may also be based on various assumptions including contractual future cash flows, discount rates, volatility, credit spread, and the presence of any derivative financial instruments.

Management applied judgment in assessing the accounting treatment for the individual components of the senior secured convertible debentures and whether the warrants and conversion option qualify as an equity instrument, including whether the terms meet the fixed for fixed requirement.

- v. Impairment tests - the Company assesses at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. If any indication of impairment exists, the Company determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, technological and economic declines, including the decline in Exro's common share price. Internal triggering events include, for example, lower profitability or planned restructuring.

#### ESTIMATION UNCERTAINTY

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

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

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.



- ii. 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.
- iii. Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets.
- iv. Business combinations - the acquired assets and assumed liabilities (other than deferred taxes and goodwill) are recognized at fair value on the date Exro obtains control. The measurement of the assets acquired, and liabilities assumed in a business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), non-cash working capital, property, plant and equipment, and other assets and liabilities at the date of the acquisition, as well as the useful lives of the acquired intangible assets is based on assumptions and generally requires significant judgement. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

The Company engaged independent third-party valuation experts to assist in estimating the fair value of the acquired goodwill and intangible assets acquired. The income approach has been used to estimate the fair value of certain intangible assets using the forecasts prepared by management. The measurement of the estimated fair value of acquired intangible assets was based on several significant assumptions, including future cash flows associated with the acquired assets, discount rates, customer attrition rates and royalty rates. Changes to these assumptions could have resulted in a significant impact to the fair value of intangible assets and goodwill.

- v. Impairment tests - if impairment tests are required, the Company's impairment test compares the carrying value of the asset of CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash close expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance, as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

#### PROPOSED TRANSACTIONS

The Company closed its acquisition of SEA Electric on April 5, 2024. There are no other 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 consolidated financial statements for the three and nine months ended September 30, 2024. 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 three and nine months ended September 30, 2024 and September 30, 2023, the following expenses were incurred to the Company's key management:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Payroll and consulting fees	851,376	1,381,010	3,229,234	2,686,183
Share-based payments	48,204	2,016,760	507,653	2,878,138
	899,581	3,397,770	3,736,888	5,564,321

Increase expenses related to key management compensation relate primarily to changes in composition of key management compared to the same period in 2023. Decrease in the three months ended September 30, 2024 relates to bonus paid in the 2023 comparative, which were not accrued in 2024.



## FINANCIAL INSTRUMENTS

### (a) Fair value

As at September 30, 2024 and September 30, 2023, the carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

The Company uses a fair value hierarchy to reflect the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs that are not based on observable market data.

The following table outlines the fair value hierarchy of the Company's financial instruments that are measured at fair value:

Instrument	Fair value hierarchy
Derivative asset	Level 2
Senior secured promissory note	Level 2
Liability classified warrant	Level 2

### (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 September 30, 2024, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents, accounts receivable and long-term investments. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure.

The Company applies the simplified approach under IFRS 9 and has calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has a limited number of counterparties in the period, as such no credit loss provision has been recorded.

#### Liquidity risk

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

As at September 30, 2024, the Company had cash of \$14,042,652 and accounts payable of \$31,322,781 and accrued liabilities and other payables of \$4,608,539 due within one year.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash. Subsequent to the close of the acquisition of SEA Electric on April 5, 2024, no change of control occurred. The debentures have a maturity date of December 31, 2027.

The Company holds senior secured promissory notes, with a face value plus accrued interest of US\$62,167,071 (\$84,307,874) due on August 19, 2027. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date.

On April 5, 2024 the Company assumed all liabilities of SEA Electric.

#### Market risk

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



#### **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At September 30, 2024, the Company had the equivalent of \$82,893,973 of net financial assets denominated in US dollars, \$1,219,830 of net financial liabilities denominated in Euros, and \$4,657,035 of net financial liabilities denominated in Australian Dollars.

#### **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.

### **CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The Company identified a material weakness in its DC&P during the period ended September 30, 2024, described further below.

#### **Internal Controls Over Financial Reporting**

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Exro; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud.

The Company identified a material weakness in its ICFR during the period ended June 30, 2024, described further below.



### Scope limitation

The Company's assessment and conclusion of the effectiveness of DC&P and ICFR excludes controls, policies and procedures of SEA Electric, the control of which was acquired on April 5, 2024. The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109, which allows an issuer to limit the DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period in question. Results of SEA Electric for the interim period ended September 30, 2024, are included in note 5 to the financial statements.

### Identified material weakness

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In conjunction with the preparation of the Company's condensed consolidated interim financial statements for the interim period ended September 30, 2024, Management concluded a material weakness existed in the Company's internal controls over financial reporting. The Company does not have sufficient accounting and financial reporting personnel available to adequately address complex accounting and valuation matters like those associated with the acquisition accounting of SEA Electric on April 5, 2024, including the timely preparation and review of financial statements and other external reporting. The material weakness resulted in material adjustments to our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024.

### Remediation plan

The Company expects to implement measures to improve its DC&P and ICFR, through adding additional qualified accounting personnel with experience in complex accounting matters and financial reporting in accordance with IFRS, engaging consultants to assist with these matters to the extent the Company is able to raise additional capital, and segregating duties across accounting personnel to ensure appropriate and adequate review controls are in place. The material weakness will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively.

### RISKS FACTORS

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 2023 Annual Information Form filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). 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.

### 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 statements 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 November 13, 2024 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.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Exro's business plans, outlook and strategy;
- Exro's expectation with respect to its future purchase orders, sales agreements, and production;
- Exro's expectation with respect to its future hiring and R&D activities;
- The timing of completion of Exro's capital program, additional dynamometer bays and the manufacturing facility, including installation and commissioning of components and equipment;
- Exro's total annual production capacity subsequent to completion of its capital program;
- Exro's ability to increase future manufacturing capacity in Calgary;
- Expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same;
- Anticipated supply and demand of Exro's products; and
- Expectations with regard to Exro's ability to maintain and raise adequate source of funding to finance the Company's operations and development; and
- The results of the Company's merger with SEA Electric, and the future operations including synergy's, revenue acceleration, multi-year commitments and path to profitability.

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, "FOFI") about Exro's prospective financial position, including, but not limited to, that operational cost efficiencies to be realized within growth assuming completion of the 2023 capital program and that 2023 capital program will result in sustainable and profitable growth in 2024 and beyond. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Exro's anticipated future business operations.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include the risk factors set out in Exro's annual information form and include, but not limited to:

- Global supply shortage of semi-conductors and microchips could have a material adverse effect on the timelines of reaching production stages;
- Factors outside Exro's control may impact Exro's ability to successfully execute its commercialization plan;
- Potential delays in Coil Driver™ on road validation testing with customers;
- May not have enough orders to fill full capacity of the production facility;
- Exro's Calgary manufacturing facility may experience delays in construction and/or equipment installation, which may also result in delays for obtaining necessary ISO and automotive certifications;
- Anticipated market demand and sales orders may differ based on changes in customers' pipelines and/or product requirements;
- A joint promotion of the technology by Linamar and Exro to the market with the intention of commercializing the Coil Driver™ e-Axle into series production may not realize unless the validation testing is complete and successful;
- Potential delays in obtaining UL Certification for the Cell Driver™, which could impact the timelines for commercialization; and
- Potential delays in completion of testing and validation of future Coil Driver™ prototypes.

Exro's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Company's 2024 Annual Information Form available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements and FOFI contained in this MD&A are expressly qualified by this cautionary statement. Exro does not undertake any obligation to update or



revise any forward-looking statements or FOFI, whether as a result of new information, future events or otherwise, unless required by law.

Calgary, AB

November 13, 2024

THIS IS **EXHIBIT "I"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.

A handwritten signature in black ink, appearing to read 'Sage Nematollahi', written over a horizontal line.

SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

November 13, 2024 – 3Q2024 Earnings call

00:00:37 Jeff O'Dowd

Today we'll discuss our performance in the third quarter followed by a Q and A session. Joining us today are Sue Ozdemir, our CEO and Darryl Bishop, our CFO. During this call, we'll make forward-looking statements.

[Disclaimers cut]

With that, I will now turn over our call to our CEO.

00:02:24 Sue Ozdemir

Thank you, Jeff.

Thank you everyone for joining us today.

We are proud of the operational and financial results we achieved this quarter and excited by our momentum heading into next year. We continue to deliver against our core strategy and make progress towards our key milestones of revenue growth, profitability and technology integration.

Our diligence and focus on execution drove revenue growth of 108% while also reducing cost. This revenue was driven by delivery of a company record of 74 E-propulsion systems to bluechip OEM customers, 106 percent increase over our Q2 2024 results.

While we still have a way to go, we are moving closer to the future we all envision.

I'm going to take a little bit to talk about where we're living today.

We are living in an era where electrification is the now.

But the world is still grappling with this transition, and the math adoption of electric vehicles.

From grid inadequacies to electric vehicle adoption, the quest for energy efficiency is paramount.

The barriers to electrification are many, but we can group them really into three key buckets that continue to challenge everyone, including EXRO in the industry from large legacy OEMs, to emerging companies like ours, to motivated fleet owners that want to go green.

These are some of the top challenges:

Cost:

Commercial vehicles are company assets

They are needed to deliver and aid a company's business outcomes.

Beyond being energy efficient, these trucks need to have a total cost of ownership that makes sense.

Within the passenger vehicle sector the reasons are slightly different, but cost still remains the issue.

This is a key challenge that we see OEMs striving for trying to get to profitability through vehicle platforms that are affordable with most global passenger automotive OEMs trying to aim for a sub 25,000 price point.

Later, Darrell will delve into issues like this, the cost, and we'll discuss how our success is continuing to drive down costs on a unit level without compromising performance.

The second issue: Performance

Now, going beyond the driving itself, but being able to achieve the outcome that's needed of that vehicle.

A garbage truck that can pick up the same number of routes or an urban delivery truck that can tackle the heavy bulky loads with the same ease of intercity light loads

The variability of driving conditions and in particular fleet (lagroots?), needs to be considered.

00:05:22 Sue Ozdemir

This is how we at EXRO talk about performance. There is no single solution as everyone drives differently. From the roads we climb on to the weather we navigate the ability to tackle all conditions is how we achieve true mass adoption.

And finally range.

Now I know when we all think about range, we think about range anxiety, charging station, but that is actually progressing in the right direction.

There's a lot of work left to do, but we are overcoming this.

We have many more chargers across North America today than just a year ago, but in fleet, there is still some work to go from a charging position and we need to think about that impact on our grid and what we're going to face in the months and years to come.

Central to the electric transformation is innovation. and in particular, innovation in power electronics.

It is through power electronics that we control electrical energy and energy efficiency.

This capability is where EXRO shines. Our technology optimizing electric vehicle propulsion systems by expanding their capabilities of electric motors and batteries, which are two of the foundational elements of the electric transition.

With our innovative technology, we have demonstrated that we can achieve performance without compromising price.

EXRO patented technology provides the solution to achieving powertrains with less complex systems that can deliver unprecedented real world driving and cost-effective solutions.

Our system utilizes power electronics to bring fast charging on board the vehicle inside the inverter itself.

The end result is charging infrastructure costs that are 10 to 20% of the cost of the DC fast charging stations in the market today.

Our technology demonstrates the difference that real innovation makes.

The transition to electrification is underway and innovation is the key to our future. While we are proud of our progress and the accomplishments, we believe that there is still a significant potential to drive further improvement in both performance and cost efficiency.

00:07:51 Sue Ozdemir

So now let's dig into our Q3 financial performance. The past six months have been dedicated to execution on our core pillars that were part of our strategy for merging with SEA Electric in April of this year.

I'm going to spend a few minutes discussing where we stand with each of those core pillars and why we are proud of the progress.

Our first pillar was around consistent growth and how we demonstrate building that foundation towards that growth. In Q3, we were able to deliver 74 propulsion systems; double what we did last quarter.

While lower than what we had anticipated at the deal closing in April, this represents significant progress, especially given the challenge that we highlighted in Q2.

This quarter we course-corrected and implemented key quality metrics, improved processes and doubled down on our strategic supplier agreement.

The quarter highlights not only our ability to deliver consistently, but also our commitment to ensuring that this momentum continues.

Backed by our blue chip OEMs, we are now poised to ramp up production, which will in turn drive growth and scale.

The second core pillar is our path to profitability.

Delivering a record number of systems to top OEMs is not an easy task.

Our team not only delivered, but also drove substantial cost savings that exceeded our initial goal of billing material cost reductions of 5%. We have achieved over 18% savings on our systems since April 5<sup>th</sup> and remain focused on our path to profitability. As we talked about at the start of today's call, this is a core objective as this is key to the transition, its performance, without compromising price.

Innovating great technology is hard, but innovating great technology that is affordable is exponentially harder.

EXRO has long been committed to innovating while growing revenue and achieving profitability.

Now as we continue with full commercialization, we are focusing on programs that have visibility to profitability.

Darrell's going to discuss our progress in more detail, but I will note that we improved our unit cost of goods sold by more than 20% over the past over last quarter.

And finally, our technology disruption.

As I said, innovation is the answer to an electrified future, regardless of the sector.

Passenger vehicles, commercial vehicles, the answer lies in our ability to deliver solutions to solve our customers challenges.

Improved energy efficiency and performance while driving down costs.

Our patented technology has been integrated with our OEM partners and it continues to progress.

We not only are able to produce more systems at a lower cost, but we're improving the technology as well.

The integration of our coil driver into all EXRO propulsion systems remains on track for second-half of 2025.

We will provide more detail on our technology road map tomorrow at our inaugural Analyst Day.

Before turning it over to Darrell to go over our financial summary, Let's go over an operational update.

I wanted to take a minute to address some items as we continue to progress and evolve our organization.

To do this, I'm going to walk through our progress from April when we closed the merger until now. At the time of closing, we had five strategic goals for 2024.

The first was delivering on 250 units in our first six months post close. [Editors note: This was not the initial goal as stated during the merger]

In Q2, we discussed certain integration challenges and their impact on our business and forecast.

We have worked hard to overcome these challenges, and while we cannot make up these units in the short term, our performance in Q3 should speak for itself in our commitment to delivering consistent quarter over quarter growth.

With year to date revenue of 16.3 million and after six months of execution, we are now delivering against orders, backlog, and future demand.

Our future is bright.

The second was our cost savings of 20% across the business.

Again, we've long been committed to the foundational processes and systems that deliver efficiency in operational execution.

These initiatives are not always visible externally, but they are the foundation of how we've been able to overcome many of the challenges post-merger.

These behind the scenes efforts have allowed us to recognize on a quarterly basis the growth that we've seen quarter over quarter.

It will become more evident as we continue to progress the business.

The third was our first joint integrations.

Our Hino platform was committed as our first integration partner, which we announced in August. This work continues to progress and we are pleased to announce that the vehicle is on site here in Mesa for our Analyst Day tomorrow with coil driver inside.

That allows featured EXRO patented charging solution. Our guys have enjoyed being out and driving the vehicle today and really being able to not only see the coil driver, but see it charging and really in full position in addition to our Hino integration, we have targeted a Mac integration for the fourth quarter, which remains on track.

Supply chain efficiencies with a 5% reduction in Bill of material.

This is one of our big steps forward.

It was an aggressive challenge, although it may not seem that way with 5%.

We continue to make progress on our efforts to reduce costs.

We focused to reaching this profitability target and with the support of our partners, we exceeded our expectations and delivered over 18% reduction in our bill of material in the past six months.

Will provide more detail on this goal on our Analyst Day tomorrow.

These cost out have been driven by strategic sourcing within our supply chain, efficient ordering and efficient logistics.

And finally, our new innovation program, the STELLANTIS program announced in late Q3 provides some monumental step forward in our developments in the passenger vehicle segment.

This program has pushed us to develop our cost position and improve performance without compromising price.

As we develop our work within the passenger vehicle segment, we continue to stay on focused with our two key partnerships in mid and late-stage discussions and have an additional partnership in commercial trucking that is progressing through commercialization as well.

These top pipeline positionings are progressing as we had hoped for this time of year.

Overall, while we recognize the frustrations experienced over the past year, I'd like to take a moment to say thank you to our shareholders and to remind all of our stakeholders that we cannot control the pace of the broader transition.

But we can control the aspects within our reach.

Our patented technology is fully de-risked, is demonstrating best in class performance, and is integrated into top OEMs in electrification. We continue to control our cost, developing ongoing cost reduction and we control the partnerships we select; in which we enter into ensuring we collaborate with market leaders who share our commitment to excellence.

I recognize all of the challenges, and I acknowledge the misses that we've experienced. However, our vision of being best in class supplier for power electronics remains the same.

We are ready to scale and grow alongside the ongoing transition. Thank you and with that, I'm going to pass it over to Darrell.

00:16:24 Darrell Bishop

Thanks Sue.

Good afternoon everyone. As we dive into the financial aspects of the core, I want to ground everyone in and that the story around the quarter is that we demonstrated a steady improvement over Q2.

So first we are beginning to recognize the benefits of the SEA Electric acquisition that closed in April of this year.

2nd in our operations are beginning to stabilize and 3rd we continue to drive down costs to demonstrate a focus on profitability.

As Sue highlighted, in Q3, we achieved a record revenue milestone of \$11 million, more than double the 5.3 million posted in Q2.

This revenue was primarily recognized from the delivery of 74 electric propulsion systems to OEMs during the quarter; a more than two fold increase on a sequential basis.

Importantly, we also demonstrated our ability to drive down costs on our bill of material and across the business. We were able to achieve these results while also addressing the many challenges to our supply chain, which we highlighted on our Q2 earnings call.

In Q3, we successfully reduced costs on a per unit basis, while also doubling our deliveries. Our cost of goods sold for the quarter was \$12.6 million, resulting in a gross profit/loss excluding a non cash provision for inventory of \$1.7 million, this is compared to a \$2.7 million loss in Q2.

On a per unit basis, cost decreased by approximately 20% quarter over quarter as we improved supply chain efficiency, we minimized air freighting of materials and ensured on time delivery of parts.

We continue to drive down that bill of materials, as Sue highlighted and we are targeting an additional 20% reduction by the end of Q2 2025.

Turning to notable operating expenses.

Payroll and SG&A accounted for \$8.1 million and \$3.4 million respectively showing reductions of 7% and 35% quarter over quarter.

Following the close of Q3, we implemented additional cost-cutting measures which included further reduction payroll and SG&A as part of our ongoing efforts to streamline operations.

Since April 5<sup>th</sup>, We've reduced our headcount by approximately 35%, and annual payroll by more than US \$10 million.

Other items worth noting, accounts payable stood at 31.3 million at the end of the quarter, which was up slightly from just over 29 million in Q2 as we continued to work through the Legacy SEA

acquisition payables in conjunction with ramping up our working capital purchases to support the growth that you saw in Q4 and going into 2025.

Offsetting this was an inventory value of 27.9 million, down from 32 million in Q2 as we advanced the conversion of inventory into revenue in Q3. The main components of this inventory of September 30th included raw materials which were valued at just over 20 million dollars.

This includes batteries, motors, you know the components that make up our e-propulsion system in addition to a work in progress inventory of \$7.1 million.

Moving to goodwill and intangibles and given the decline in our share price through Q3 and the decrease volume outlook since April 5th, we were obligated by accounting standards to complete an impairment test.

This test resulted in a write down of all goodwill and a portion of intangible assets related to the SEA Electric acquisition.

This is a \$211 million non-cash adjustment to the carrying value of these assets.

From a cash perspective, we closed the quarter with cash and cash equivalents of just above \$14.0 million.

This was supported by a \$25 million equity financing which we completed in Q3, which was backed predominantly by existing shareholders who are aligned with our long term vision.

As we continue our path to profitability, we are also actively engaged to secure additional non-dilutive capital. We believe our execution in Q3 has positioned us well to secure the necessary bridge to profitability with the goal of achieving self-sustainability in the second-half of 2025.

I want to take a few minutes to further highlight that path to profitability. I want to emphasize that we remain laser focused on our revenue growth in parallel with our cost out efforts.

So just want to dive into the progress that we've made on a couple of key initiatives.

First, our bill of material cost reductions. As Sue highlighted when we closed the acquisition of SEA Electric in April, we were targeting a 5% reduction in our bill of material on our propulsion systems for 2024.

Building on the progress made in Q2, the team continued to drive down costs and implement continuous improvements. As a result, we've achieved more than 18% in savings on our bill of material and are on track to further exceed our 2024 goals through Q4.

Second, cross business cost outs.

In the first six months, we've achieved roughly \$15 million US in annualized savings against the 2024 target of \$10 million US. These cost reductions have been primarily driven by headcount reductions, facilities optimization and operational efficiencies.

While much of these savings are annualized, they underscore the strength of our CapEx lite business model and are focused on efficient processes and supply chain management.

3rd will be a design evolution.

We continue to make progress in R&D. While we've seen success in reducing cost, it has been driven by the foundational work we've done over the past few years.

Our initial mission, which was set five years ago, was to build a technology platform that was both scalable and flexible.

Our current R&D spend alongside partnerships with world class OEMs like Stellantis, Mack, Linamar and Hino and others position us for continued innovation and cost reduction.

And this all coincides with our plan to continue to demonstrate quarter over quarter growth and deliveries of our technologies with bluechip OEM customers through efficient execution.

Before we turn it back to Sue and we open it up for questions, I just want to echo Sue's sentiment that innovation is the key to our electrified future. Over the first six months after we closed the merger, our organization has undergone a transformation shift, overcoming numerous challenges and delivering record results quarter over quarter.

While the journey thus far has not been without its hurdles, we are making progress in the key drivers of our business: Consistent growth, cost reduction, and a clear path to cash flow profitability.

With that, I'll turn it back over to Sue for some closing remarks and questions.

00:23:52 Sue Ozdemir

Thank you, Darrell.

First off, I want to say thank you to all of the EXRO team for your dedication to our progress.

Tomorrow marks our first inaugural Analyst Day in Mesa.

We will launch our integrated coil driver propulsion system with a ride-n-drive event that allows the opportunity to see the differentiation first hand.

And we will provide guidance towards our 2025 business plan.

Thank you to all of our shareholders for all of your continued support.

We greatly appreciate it. And with that I'll open it for questions.

00:24:42 Operator

We will move first to Chris Murray with ATB Capital Markets.

00:24:47 Chris Murray

Yeah. Thanks, folks. Good, good evening.

So just to, I guess, the first question is just looking at kind of production rates and the ramp: I think Sue, as you talked about, you know initial expectations was well for 250 you've done you know, call it maybe half of that, a little bit less than half of that.

Can talk about how the ramp is progressing as Q4 into 2025 and I know that you had mentioned, I think last quarter there were things around some software issues and things like that that were holding back some, some inventory and delivery. If you can just maybe address kind of where we're at in terms of that cadence that would be helpful.

00:25:26 Sue Ozdemir

Yeah, sure Chris and tomorrow we'll be providing kind of the details around it. But what I would say is the software issues have been fully dealt with. They're not any type of barrier for us right now and we continue to see that growth continuing into the quarters to come.

We're well set up, right now, we're expecting shipments in to continue to set us up to the first quarter and we see that ability to continue the growth quarter over quarter.

00:25:53 Chris Murray

OK. All right.

And then and then just maybe just thinking about the SEA write down and I appreciate there was some accounting requirements in this, but in going through the notes and thinking about, you know what it kind of implies about kind of longer term revenue growth from SEA, can you maybe address kind of puts and takes around the combination and you know what's really changed in the expectations since you've done the transaction and as well, I'm sure we're going to get this question, but in terms of the compensation that EXRO provided to SEA, is there anything that offsets some of those changes even at this point?

00:26:40 Darrell Bishop

Yeah, maybe I'll jump in a little bit on the on the impairment first, Chris. And I kind I think you kind of hit it with the beginning part of your question in terms of you know this, I want to identify this as a non cash write-down in goodwill and intangible assets, a lot of it was driven by the share price; the depreciation that we've seen as well as the forecasts that were lower today than what we anticipated you know at the beginning of the year when we announced the merger with SEA Electric We'll give some additional color to that tomorrow when we go through the guidance and the outlook on the analyst day but for the for the most part, this was driven by the bigger part of it would have been the depreciation of our share price from you know approximately a dollar a share when we announced the acquisition of SEA Electric earlier this year and we were around 85 cents on April 5th when we closed and then at the end of the quarter, we were sub \$0.30 a share and so that would have been the bigger, the bigger driver in there.

00:27:43 Chris Murray

OK. And then you know just one quick question just in more detail, but you had it in previous quarters and even as part of the combination talked about doing kind of a reverse split or share consolidation. Any thoughts around that at this point with where the shares are trading.

00:28:00 Darrell Bishop

Yeah, I think it's always something that's been out there, Chris. I would say it's not a topic of conversation right now and anything that we're speaking with from a board level and a management

perspective to be to be quite frank, we are laser focused on the operations. We are focused on rebuilding the value that we see, and I think that we're starting to recognize from the execution within the business and kind of really put our head down on making sense of that first.

00:28:31 Chris Murray

All right. Sounds good. OK.

I look forward to seeing you guys tomorrow.

I'll pass over the link.

00:28:37 Sue Ozdemir

Thank you Chris, see you tomorrow.

00:28:40 Operator

We will move next to Jeff Graham with Alliance Global Partners.

00:28:50 Jeff Graham

Good evening.

I was curious Darryl, kind of the trajectory of those 74 systems throughout the quarter or even better if you have anything post quarter in terms of the shipment cadence. Just wondering either the distribution of those shipments throughout the quarter, was there kind of an accelerating pace maybe exiting into September and maybe how shipments have trended into Q4?

Anything along those lines that you could share would be great.

00:29:18 Sue Ozdemir

Yeah. Thanks, Jeff and great question

So yeah, there's definitely kind of an acceleration, I would say, you know, we're not quite at that full ramp of week over week is exactly growth. But I would say you definitely see the ramp month over month where we kind of came out stronger at the end of the month as those efficiencies really started to take effect and kind of inventory started to catch up with supply chain and kind of really positioned us well as we go into the fourth quarter. You know we've got some holidays, so that's good. You know we're navigating that, but from a delivery and execution perspective we're really well set up coming out of the quarter and expect that ramp to continue week over week.

00:29:57 Jeff Graham

OK.

Great. I appreciate those details and for my follow up on the cost side of things, appreciate all the you know efforts you guys have made on that front. Would you say Q3 OpEx is kind of a good representation of where you guys would like to keep things going forward or have there been some either cuts made in the quarter that you didn't get a full, you know benefit from or anything kind of forthcoming that can further benefit the OpEx side of things?

00:30:24 Darrell Bishop

Yeah, Great question [Greg or Chris? Not Greg or Chris regardless, Jeff is the right name]

I would say we are continuing our cost out efforts across the business including OpEx. When you look at the payroll numbers quarter over quarter, you know we made some progress there.

There were some additional cuts that were made subsequent to the quarter through the month of October you will see play out with our Q4 results and certainly on an annualized basis as we look into 2025. Now when we are optimizing the business from that perspective, of course that plays over into an SG&A perspective as well. Your direct headcount impact from an SG&A standpoint. And so we would anticipate to see that those costs continue to decrease across the business.

00:31:13 Sue Ozdemir

And you know, Chris [Again, not Chris, it is Jeff], I'll add on a little bit on that one just to say it kind of goes to what we were talking about with the foundational systems that we have in place and that ability to get more efficient as we go. So as we continue to ramp where a lot of companies have to do the investment at that point, That's investment that we've made over the past years that we're now recognizing and so we can do those cost reductions but still ramp up the units that we need to do.

00:31:40 Jeff Graham

Great. I appreciate those details. Thank you guys.

00:31:44 Sue Ozdemir

Thank you.

00:31:59 Operator

And with no other questions holding, I'll now turn the conference back to Sue Ozdemir for any additional or closing remarks.

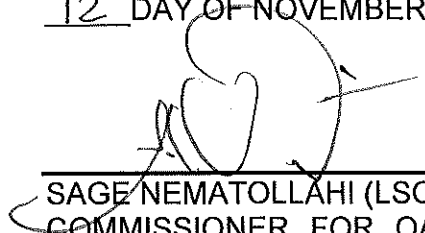
00:32:07 Sue Ozdemir

But thank you once again to our shareholders, keep an eye on our website on our Investor Center where we'll be sharing all the highlights of our Analyst Day tomorrow and we look forward to having everybody enjoy in our guidance and our innovation. Thank you so much.

00:32:27 Operator

Ladies and gentlemen, we'll conclude today's call.

THIS IS **EXHIBIT "J"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



\_\_\_\_\_  
SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA


**EXRO | TSX**
**Market: \$0.18**
**Rating: Speculative Buy**
**One-Year Target: \$0.55**
**Total Return: 206.5%**
**November 20, 2024**
**Financial Metrics (C\$)**

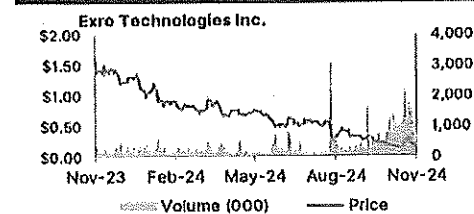
52-Week High / Low:	\$2.03 / \$0.11
Dividend Yield:	0.0%
Shares O/S (mm):	145.9(basic) 177.5(diluted)

Float (mm)	426.5
Market Capitalization (\$mm):	\$26.3
Enterprise Value (\$mm)	\$102.6
Net Debt (Cash) (\$mm):	\$76.4

FYE Dec 31	2023	2024e	2025e
Revenue (\$mm)	\$5.7	\$29.3	\$103.5
EBITDA (\$ mm)	(\$40.8)	(\$64.4)	(\$22.6)
EPS (FD)	(\$0.29)	(\$0.23)	(\$0.13)

EBITDA (\$mm)	Q1	Q2	Q3	Q4
2023	(\$7.3)	(\$10.9)	(\$10.5)	(\$12.1)
2024	(\$11.7)	(\$23.3)	(\$15.8)	(\$13.5)e
2025	(\$9.8)e	(\$7.1)e	(\$4.4)e	(\$1.2)e

Adjusted FD EPS	Q1	Q2	Q3	Q4
2023	(\$0.05)	(\$0.08)	(\$0.07)	(\$0.08)
2024	(\$0.08)	(\$0.07)	(\$0.06)	(\$0.04)e
2025	(\$0.04)e	(\$0.03)e	(\$0.03)e	(\$0.02)e


*All figures in C\$ unless otherwise specified.*
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## Exro Technologies Inc.

### Analyst Day Provides Path While Partners Keep the Faith

**The ATB Take:** Last week, we attended the Company's inaugural analyst day at the US Headquarters in Mesa, AZ, after it announced Q3/24 results. The day touched on several themes, including the pace of electric propulsion adoption in medium and heavy-duty truck and passenger vehicles, financial guidance, and vehicle demonstrations. The Analyst Day also featured discussions with several OEM and supplier partners, representing most of the major North American truck OEMs and large supply chain partners. Given Exro's size and level of maturity, we were pleasantly surprised to find a solid showing and support for Exro expressed by partners, which are orders of magnitude larger. In our discussions, we found that OEMs and suppliers are highly committed to the Company and the SEA drive product as part of their core product offerings. We believe the tone and level of commitment from OEMs and other partners supports the Company's viability, with product, technology, market and partners in the Company's favour. While we remain decidedly cautious about significant going concern risks and hence maintain the Speculative nature of our rating, we believe that there is a financing path that allows for value capture by existing investors as the Company navigates the energy transition, emerging as an NA OEM Tier1/Tier2 supplier.

#### Highlights:

- Q3/24 Results:** Exro announced Q3/24 results on November 13, 2024, reporting record revenue, Adjusted EBITDA, and Adjusted EPS of \$11.0mm, -\$15.8mm, and -\$0.06, below ATBe of \$11.7mm, -\$14.0mm, and -\$0.05. SEA Drive deliveries increased to 74 units in Q3/24, up from 36 units in Q2/24, with revenue up 108% q/q. Revenue was exclusively sourced from SEA Drive deliveries as no Coil Drivers were delivered, and Engineering Services was discontinued following the merger with SEA. As a result of the prevailing share price in the quarter, the Company was required to perform a goodwill impairment test on the SEA acquisition and wrote down goodwill and the majority of intangible assets associated with the transaction.
- New Guidance In-Line:** The Company released new 2024 and 2025 guidance, with revenue in 2024 of ~\$26mm at the midpoint. In 2025, the Company is anticipating revenue between \$85mm and \$110mm, assuming delivery of ~600 SEA drive units.
- Balance Sheet Has a Hole:** Management maintained its longer-term commentary around being EBITDA and Free Cash Flow positive in H2/25, however noted that it anticipates requiring \$30mm in capital before that point for near-term losses and working capital as capital spending for development of the coil driver and SEA drive are essentially complete. In the formal and informal part of the day, management talked about several alternatives, including other financial/PE sources, strategic investors, warrant exercises, and bank revolvers as a source of capital to bridge the gap.
- Change in Estimates:** We have updated ATBe to account for the quarter and management guidance. Adjusted 2024 and 2025 FD EPS remains unchanged while 2026e increases by \$0.01 to -\$0.06.

**Maintain Speculative Buy Rating; \$0.55 Price Target:** We maintain our Speculative Buy rating and 12-month price target of \$0.55. Our price target is based on our DCF model, which discounts our cash flow estimates for the period through 2034 using a weighted average cost of capital of 18.4%, while our terminal value, which represents 41.7% of the estimated enterprise value, discounts long-term cash flows at a 3.0% growth rate.



## Operating & Financial Highlights

Current Valuations												
Unit Price (C\$)	\$0.10											
EV/EBITDA	2023	2024e	2025e		Price/Earnings		2023	2024e	2025e			
Peer Average	5.9x	5.0x	4.6x		Peer Average		7.2x	5.6x	5.0x			
Exro Technologies	nm	nm	nm		Exro Technologies		nm	nm	nm			
Income Statement	2023	2024e	2025e	2026e	Trend	Key Partnerships	End-Market	Stage				
(C\$ 000's except per share)												
Revenue	5,730	29,263	103,454	243,549	↗	Stellantis Group	Passenger Vehicles	Development				
Cost of sales	3,204	34,531	80,540	175,740	↘	Clean Seed Capital Group Ltd	Agricultural Equipment	Design				
Gross Profit	2,532	(5,268)	22,900	67,809	↗	Heinzman GMBH & Co. KG	Motors	Operational				
Adjusted EB TDA	(40,774)	(64,355)	(22,566)	17,389	↗	Hino Motors	Medium Duty Truck	Production				
SG&A and Other Expense	(46,431)	90,519	81,781	82,640	↗	Linamar Corporation	Passenger EVs	Development				
EBIT	(43,899)	(95,286)	(58,873)	(14,831)	↗	Potencia Industrial	Government EVs	Validation				
Other (gains) losses	(3,087)	198,203	-	-	↗	Templar Marine Group Ltd	Passenger EVs	Design				
Finance Expenses, net	2,465	7,962	15,260	17,673	↗	Traktionssysteme Austria "TSA"	E-Buses	Design				
Income Taxes	-	(12,005)	-	252	↗	Mack Trucks	Medium Duty Truck	Production				
Net Income	(43,277)	(289,857)	(74,133)	(32,755)	↗	Gialfano Electric	Commercial Vehicles	Production				
Reported Basic EPS	(\$0.31)	(\$0.65)	(\$0.13)	(\$0.06)	↗	Wolong Electric	Motors					
Adjusted FD EPS	(\$0.29)	(\$0.23)	(\$0.13)	(\$0.06)	↗	HB4	Motors					
Weighted Avg. Shares - Basic	161,661	442,632	585,759	585,759	↗	Partners under NDA	Motors/Passenger Vehicles					
Weighted Avg. Shares - Diluted	161,661	442,632	585,759	585,759	↗							
Growth Metrics	2023	2024e	2025e	2026e	Trend							
Revenue	102.5%	410.1%	253.5%	135.4%	↗							
Gross Profit	88.8%	148.1%	123.0%	66.2%	↗							
Adjusted EBITDA	(13.1%)	(57.8%)	64.9%	177.0%	↗							
EBIT	(23.0%)	(510.5%)	80.0%	74.8%	↗							
Net Income	(23.6%)	(486.2%)	74.4%	55.8%	↗							
Margin Metrics	2023	2024e	2025e	2026e	Trend							
Gross Profit	44.1%	(18.0%)	22.1%	27.8%	↗							
Adjusted EBITDA	(710.8%)	(219.9%)	(21.8%)	7.1%	↗							
EBIT	(839.6%)	(1004.7%)	(56.9%)	(6.1%)	↗							
Net Income	(990.5%)	(71.7%)	(13.4%)	1.2%	↗							
Free Cash Flow	2023	2024e	2025e	2026e	Trend							
Operating Cash Flow before NWC	(37,803)	(65,890)	(34,459)	7,054	↗							
Net Working Capital	(5,975)	(3,950)	(2,065)	(9,890)	↗							
Operating Cash Flow	(43,779)	(69,840)	(36,524)	(2,835)	↗							
Cash Flow per Share	(\$0.27)	(\$0.16)	(\$0.06)	(\$0.00)	↗							
Net Additions to PPE & Intangibles	(8,835)	(2,979)	(12,467)	(10,842)	↗							
Free Cash Flow	(52,614)	(72,818)	(48,991)	(13,677)	↗							
per Share	(\$0.33)	(\$0.16)	(\$0.08)	(\$0.02)	↗							
						Return Metrics	2022	2023	2024e	2025e	2026e	Trend
						Average Invested Capital	42,858	41,091	34,360	(6,762)	(56,130)	↗
						Operating Income	(39,162)	(48,158)	(293,989)	(58,873)	(14,831)	↗
						Return on Invested Capital	(91.4%)	(117.2%)	(820.4%)	870.6%	26.9%	↗
						Return on Equity	(109.4%)	(145.5%)	(1088.8%)	499.5%	51.9%	↗
						Return on Assets	(74.9%)	(81.7%)	(284.9%)	(54.8%)	(25.8%)	↗
						Leverage	2022	2023	2024e	2025e	2026e	Trend
						Net Debt (Cash)	(10,103)	612	101,025	151,631	166,924	↗
						Net Debt to Trailing EBITDA	nm	nm	nm	nm	9.6x	↗
						Net Debt to Total Capitalization	(28.5%)	1.9%	485.9%	(301.8%)	(220.5%)	↗

Figure 1 – Operating & Financial Highlights

Source: Company reports, ATB Capital Markets

## Q3/24 Results

Exro announced Q3/24 results on November 13, 2024, reporting record revenue, Adjusted EBITDA, and Adjusted EPS of \$11.0mm, -\$15.8mm, and -\$0.06, below ATBe of \$11.7mm, -\$14.0mm, and -\$0.05. SEA Drive deliveries increased to 74 units in Q3/24, up from 36 units in Q2/24, with revenue up 108% q/q. Revenue was exclusively sourced from SEA Drive deliveries as no Coil Drivers were delivered, and Engineering Services was discontinued following the merger with SEA.

## Q3/24 Highlights

	ATBe Q3/24	Actual Q3/24	Actual Q3/23	y/y Growth	Q2/24 y/y Growth	Actual vs. ATBe	Consensus Q3/24	Actual vs. Consensus
<i>(\$000's, unless otherwise noted)</i>								
Revenue	11,077	10,076	2,033	440.0%	115.7%	(6.0%)	9,607	14.2%
Gross Profit Margin	(1,168) (10.0%)	(2,264) (20.6%)	1,073 1	NA NA	NA NA	93.9%		
Adjusted EBITDA Margin	(14,012) NA	(15,806) NA	(10,481) NA	(50.8%) NA	(114.6%) 2.3%	12.8% NA	(14,925)	(25.2%)
Adjusted EBIT Margin	(23,070) NA	(26,906) NA	(11,271) NA	138.7% NA	(194.5%) 36.5%	13.7% NA		
Net Income Margin	(27,038) NA	(237,914) NA	(10,894) NA	(2124.7%) NA	(99.4%) (7.0%)	779.9% NA		
Adjusted FD EPS	(\$0.05)	(\$0.00)	(\$0.07)	17.2%	(2.7%)	16.1%	(\$0.05)	(14.0%)

Figure 2 – Q3/24 Highlights

Source: Exro Technologies Inc., Capital IQ, ATB Capital Markets

As a result of the prevailing share price in the quarter, the Company was required to perform a goodwill impairment test on the SEA acquisition and wrote down goodwill and most of the intangible assets associated with the transaction. Management expects deliveries to stay flat in Q4/24 vs. Q3/24 and more meaningfully increase in 2025, leading to breakeven profitability. The Company was holding \$14.0mm in cash on September 30, 2024, and is expected to require additional capital in 2025.

The Company noted that it continues to make progress with cost improvement with the SEA drive, with an 18% year-to-date improvement in the bill of material costs (against an initial 5% target) with an additional 20% targeted by mid-2025. In addition, management indicated that it has recognized cumulative annual business cost savings of more than \$15mm vs. an initial 2024 target of US\$10mm through head-count reductions, facility closures, and operational efficiencies.

Exro reported a cash burn of \$18.4mm in Q3/24, higher than the normal run rate (~\$9mm/quarter), reflecting the ramp in production and a larger-than-expected loss. Exro exited the quarter with \$14.0mm in cash, reflecting proceeds from the \$25mm equity issuance completed in September and restructuring of the senior promissory notes in the quarter, which provided ~US\$7.0mm in cash and removed the convertible feature on the instrument.

## The Inaugural Analyst Day

Last week, we attended the Company's inaugural analyst day at the US Headquarters in Mesa, AZ. The day touched on several themes, including the pace of electric propulsion adoption in medium and heavy-duty truck and passenger vehicles, financial guidance, and vehicle demonstrations.

The Analyst Day also featured discussions with several OEM and supplier partners, representing most of the major North American truck OEMs, including Mack Trucks and Hino Motors, subsidiaries of Volvo (VOLV.B-SK, NR) and Toyota (6201-TO, NR) respectively, and Paccar Inc. (PCAR-O, NR) as well as large supply chain partners including Nidec Motors (6594-TO, NR), who is supplying motors to the Company for the next iteration of the SEA Drive featuring coil driver technology. Given Exro's size and level of maturity, we were pleasantly surprised to find a solid showing and support for Exro expressed by partners, which are orders of magnitude larger. In our discussions, we found that the OEMs and suppliers are highly committed to the Company and the SEA drive product as part of their core product offerings, including being the single source electric powertrain supplier on North American Hino Class 5 trucks and Mack Class 6 trucks, with no intention on the part of the OEMs to look for alternatives, while maintaining a long-term view of their commitment to the development of electric vehicles.

As we have previously noted and reinforced in our discussions, trucks in the Class 5 to 7 class, which are typically used in urban areas for deliveries (including refrigerated deliveries), have looked to have reached the cross-over breakeven point on the total cost of ownership (TCO) vs. conventional diesel propulsion vehicles.

### Breakeven by Vehicle Type

**Electric trucks will gain total cost of ownership parity with internal-combustion-engine vehicles.**

Electric truck parity point with diesel trucks in the US by scenario, years

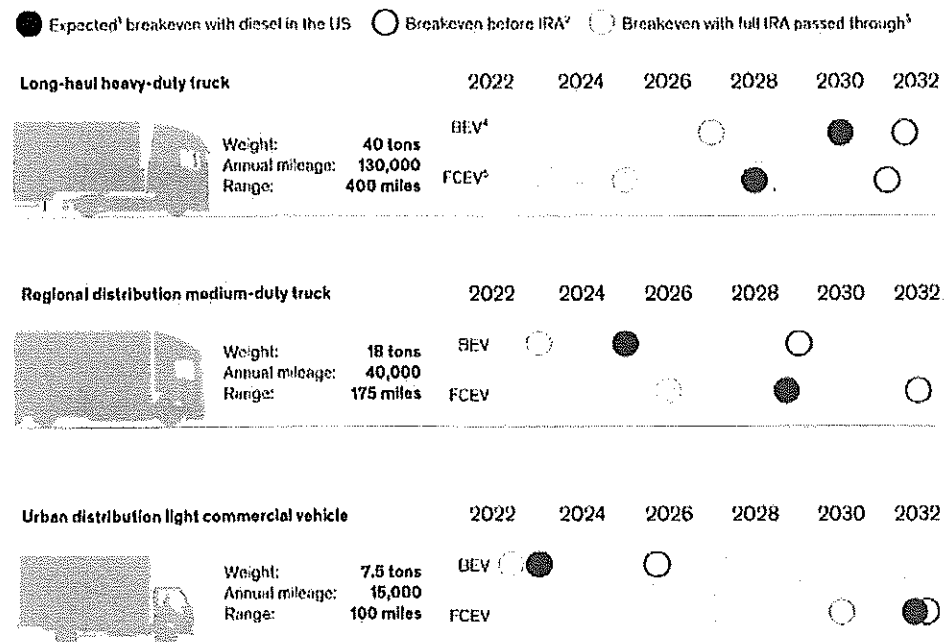


Figure 3 – Breakeven by Vehicle Type  
Source: McKinsey and Co.

Hino management spoke to its learnings that customer concerns and perceptions around range anxiety continue to be the primary barrier to acceptance despite its telematics data, installed on vehicles for several years suggests that better than 80% of use cases have a daily driving range of less than 150 miles. The other concern around adoption is the cost and complexity of building charging infrastructure, with an average DC fast charging system costing about US\$1,000 per KWh to install, with fleet-level support requiring multiple chargers.

#### Class 5 Truck With Sea-Drive Components

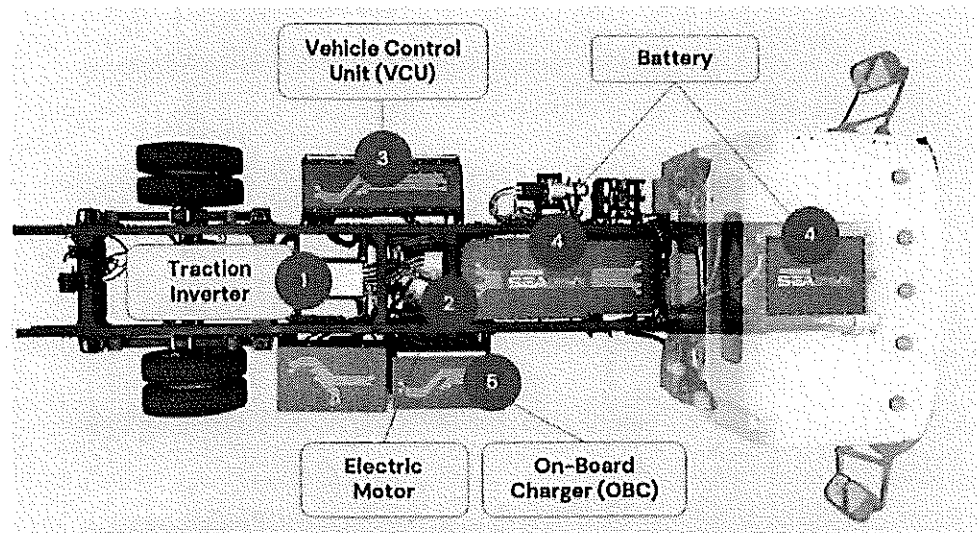


Figure 4 – Class 5 Truck With Sea-Drive Components  
Source: Exro Technologies Inc.

They noted that the introduction of the SEA drive with coil driver in mid-2025 is a significant step forward in the technology and could support further adoption, as the coil driver can replace the current separate charging system and is capable of both AC and DC operation, which offers several advantages around infrastructure, vehicle cost and battery life.

As management noted in its opening remarks, EV penetration in the truck space remains low, with a total deployment of ~0.32%. While recent data shows truck sales are beginning to ramp exponentially, there remains a sizeable gap in the market. There are several regulatory changes, including new EPA rules around emissions in 2027, which could impact OEMs and owners and are likely to remain in place. However, with the new US administration, there are likely to be changes in regulations and existing funding bills like the IRA. However, many note the funds provided in these bills have benefited states with representatives from both US political parties.

### North American Truck EV Deliveries

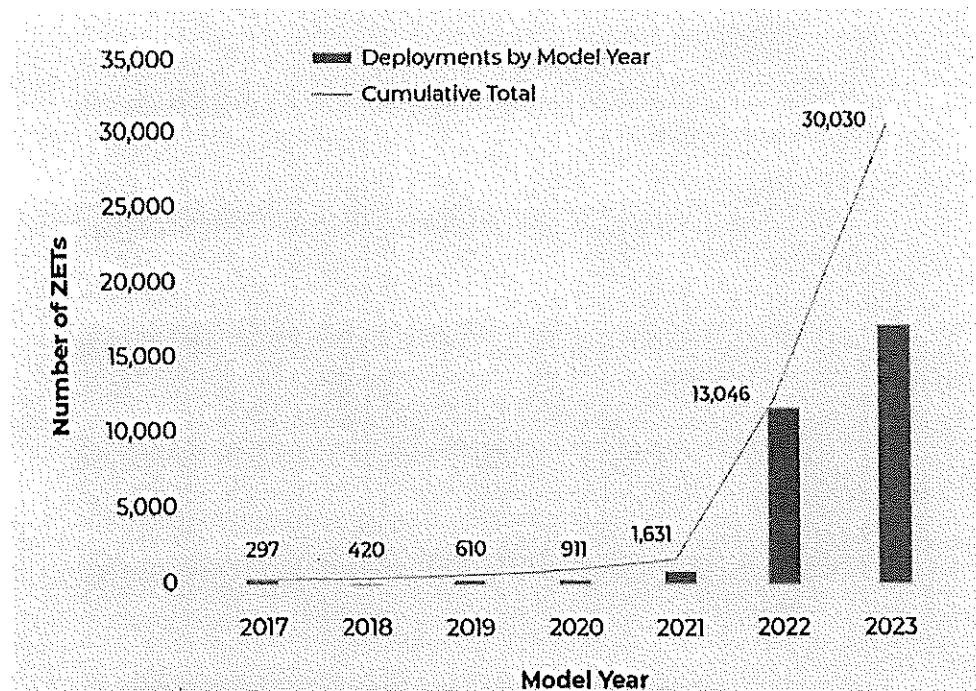


Figure 5 – North American Truck EV Deliveries

Source: Exro Technologies Inc. from data provided by Calstart ZIO-ZET Database

In a recent forecast by S&P Global, the demand for clean technology vehicles in North America is expected to be robust, driven in part by regulations across jurisdictions. In our discussions, the OEMs highlighted they need to take a multi-year view on product design and investment and remain committed to electric propulsion, with several financial and operating benefits achieved with electric propulsion.

### May 2024 S&P Global Forecast - North American Medium and Heavy Duty Truck and Bus Lower-Emission Alternatives (Units 000's)

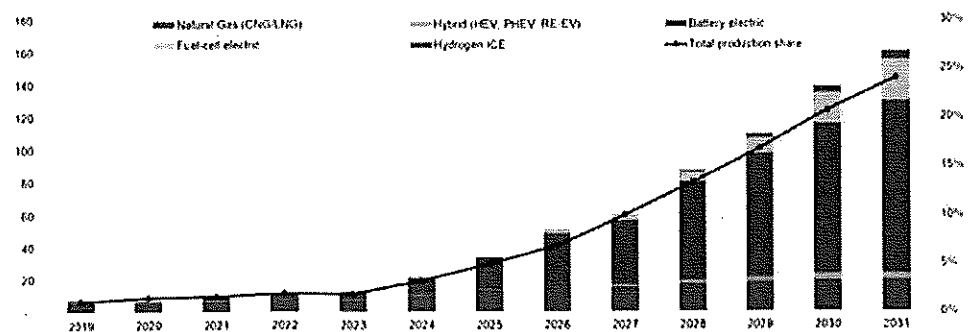


Figure 6– May 2024 S&P Global Forecast - North American Medium and Heavy Duty Truck and Bus Lower-Emission Alternatives (Units 000's)

Source: S&P Global Mobility, Capital IQ

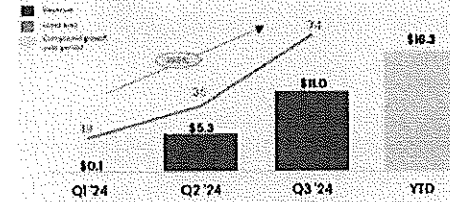
## Releasing 2024 and 2025 Guidance

One of the frustrations in the Exro story in 2024 was the gap between the initial guidance set by management with the close of the SEA acquisition and early results. The Company provided new guidance for 2024 and 2025 and also some discussion of year to date results, noting strong q/q revenue growth, improvements in direct costs per unit and reductions in SG&A costs.

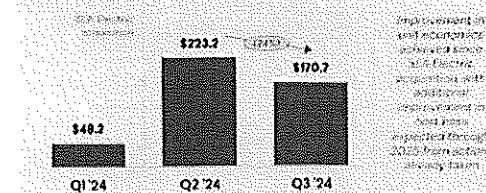
## Financial Summary

### HISTORICAL FINANCIAL SUMMARY

#### REVENUE (CAD\$M)



#### DIRECT COSTS PER UNIT (CAD\$'000)



#### Revenue / COGS

- Revenue – Record revenue more than double QoQ
- COGS – We continue to drive down unit costs and are targeting an additional 20% reduction by the end of Q2 2025

#### Core business cost-outs

- Payroll – accounted for \$8.1M, down 7% QoQ
- SG&A – \$3.4M, down 35% QoQ
- Through October, additional cost-cutting measures implemented including reductions in payroll & SG&A
- Since April we have reduced headcount by more than US\$10M and combined with SG&A by ~US\$15M

Figure 7 – Financial Summary

Source: Exro Technologies Inc.

The Company released new 2024 and 2025 guidance, with revenue in 2024 of ~\$26mm at the midpoint, assuming a similar level of Q4 deliveries as Q3. In 2025, the Company is anticipating revenue between \$85mm and \$110mm, assuming delivery of ~600 SEA drive units, with a H2/25 weighting as the Company transitions the SEA drive to use the coil driver technology and new motor technology. The Company anticipates a further 20% unit cost reduction, primarily through sourcing and product redesign by mid-year 2025. Management also anticipates a small contribution from coil driver development programs and some cell driver revenue.

## Exro Revenue Guidance

### REVENUE GUIDANCE (CAD\$M)

	Low end	High end
2024	\$24m	\$28m
2025	\$85m	\$110m
YoY growth	25-4%	29-3%

Strong revenue growth expected through 2025 as demand continues to grow with production 120% and ramp up of units delivered.

#### 2024

- YTD revenue \$16.3 million
- Midpoint of range with flat QoQ deliveries in Q4

#### 2025

- Mid-point of range is ~600 propulsion systems
- Steady ramp QoQ from Q4 2024
- Integration of Coil Driver in all series production e-propulsion systems by Q3 2025
- Includes Coil Driver motor-drive only, Cell Driver
- Targeting EBITDA and free cash flow positive in H2 2025
- Managing liquidity with outlook

Figure 8 – Exro Revenue Guidance

Source: Exro Technologies Inc.

Management maintained its longer-term commentary around being EBITDA and Free Cash Flow positive in H2/25, however noted that it anticipates requiring an additional \$30mm in capital is required before that point to support near-term losses and working capital growth in-line with the production ramp as capital spending for development of the coil driver and SEA drive are essentially complete. In the formal and informal part of the day, management talked about several alternatives, including other financial/PE sources, strategic investors, warrant exercises, and bank revolvers as a source of capital to bridge the gap. We believe it would be challenging for the Company to raise capital at prevailing prices, which we believe continues to be impacted by former SEA shareholder selling, whose lock-up period ended in October.

## Forecast and Outlook

We have updated ATBe to account for the quarter and management guidance. Adjusted 2024 and 2025 FD EPS remains unchanged while 2026e increases by \$0.01 to -\$0.06.

### Change in Estimates

	Old ATBe			New ATBe			Change		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
(Figures in C\$'000s, unless otherwise specified)									
Total Revenue	32,668	120,655	239,045	29,263	103,454	243,549	(10.4%)	(14.3%)	1.9%
Gross Profit	(2,571)	27,729	65,219	(5,268)	22,909	67,809	(104.9%)	(17.4%)	4.0%
Margin	(7.9%)	23.0%	27.3%	(18.0%)	22.1%	27.8%	(1013) bps	(64) bps	56 bps
Adjusted EBIT	(92,443)	(63,220)	(23,825)	(95,786)	(58,873)	(14,831)	(3.6%)	6.9%	37.8%
Adjusted EBIT Margin	nm	nm	(10.0%)	nm	nm	(6.1%)	nm	nm	38.9%
Adjusted EBITDA	(60,322)	(20,543)	18,933	(64,355)	(22,586)	17,389	(6.7%)	(9.9%)	(8.2%)
Adjusted EBITDA Margin	nm	nm	7.9%	nm	nm	7.1%	nm	nm	(9.9%)
Net Income	(102,000)	(78,504)	(41,708)	(289,857)	(74,133)	(32,755)	(184.2%)	5.6%	21.5%
Weighted Avg. Shares - Basic	447,124	581,987	581,987	442,632	585,759	585,759	(1.0%)	0.6%	0.6%
Weighted Avg. Shares - Diluted	447,124	581,987	581,987	442,632	585,759	585,759	(1.0%)	0.6%	0.6%
Reported Basic EPS	(\$0.23)	(\$0.13)	(\$0.07)	(\$0.65)	(\$0.13)	(\$0.06)	(187.1%)	6.2%	22.0%
Adjusted FD EPS	(\$0.23)	(\$0.13)	(\$0.07)	(\$0.23)	(\$0.13)	(\$0.06)	(4.1%)	6.2%	22.0%
Free Cash Flow (FCF)	(56,248)	(53,809)	(15,661)	(72,818)	(48,991)	(13,677)	(29.5%)	9.0%	12.7%

Figure 9 – Change in Estimates

Source: Company reports, ATB Capital Markets

## Price Target Calculation

While we would typically be concerned given the Company's financial situation, we found the analyst day discussions highly atypical, particularly with OEM partners and vendors being so supportive. In many ways, the partnerships the Company has formed speak significantly to the value of the technology and their partner's belief in the Company, which far exceeds the level of due diligence ever practically capable of an arm's length investor or analyst, particularly given the scale of the partners, their resources and technical capabilities. While we remain decidedly cautious about significant going concern risks and hence maintain the Speculative nature of our rating, we believe that there is a financing path that allows for value capture by existing investors as the Company navigates the energy transition, emerging as an NA OEM Tier1/Tier2 supplier.

We maintain our Speculative Buy rating and 12-month price target of \$0.55. Our price target is based on our DCF model, which discounts our cash flow estimates for the period through 2034 using a weighted average cost of capital of 18.4%, while our terminal value, which represents 41.7% of the estimated enterprise value, discounts long-term cash flows at a 3.0% growth rate.

### WACC Calculation

Weighted Average Cost of Capital (WACC)	
Risk Free Rate (10-yr GCAN)	3.60%
Market Risk Premium	7.0%
Small Company Premium	8.0%
Industry Specific Premium	5.0%
Country Premium (Canada/US)	0.0%
<b>Cost of Equity (%)</b>	<b>23.6%</b>
Pre-tax cost of debt (secured)	12.0%
After-tax cost of debt @ 26.5% tax rate	8.8%
Proportion of debt in target capital structure (%)	35.0%
<b>WACC (%)</b>	<b>18.4%</b>

Figure 10- WACC Calculation

Source: ATB Capital Markets

### Discounted Cash Flow (DCF) Analysis

	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2034e
Cash Flow from Operations (CFO)	(35,647)	(2,726)	24,784	43,947	58,665	64,429	67,900	71,545	75,400	71,154	71,154
(+) Interest expense	15,108	17,574	17,813	14,134	11,377	9,901	9,780	9,649	9,508	9,356	9,356
(-) Capital Expenditures	(12,858)	(12,313)	(11,421)	(10,520)	(7,609)	(7,275)	(6,481)	(7,391)	(8,402)	(9,527)	(9,527)
Free Cash Flow to the Firm (FCFF)	(33,397)	2,534	31,175	47,561	62,434	67,055	71,198	73,802	76,505	70,983	70,983
Terminal Value											474,754
Present Value (PV) of FCFF	(28,207)	1,808	18,783	24,201	26,833	24,340	21,828	19,110	16,731	13,111	21,762
PV of Terminal Value											145,547
Weighted Average Cost of Capital (WACC)	18.40%										
Terminal Growth Rate	3.0%										
Enterprise Value (\$000s)	347,150										
Net cash / (debt) (Q3/24) (\$000s)	(76,361)										
Value of Options and Warrants	59,153										
Future share capital (\$000s)	30,000										
Equity Value (\$000s)	359,942										
Share count (Q3/24) (000's)	585,759										
(+) Option & Warrant Exercise	67,048										
(+) Future shares	100,000										
Convertible Preferred Shares	-										
Convertible Debenture Shares	-										
Diluted Shares Outstanding	752,807										
Fair Value Target as of Q4/24	\$0.48										
12-month fwd. Fair Value Target	\$0.57										
% from terminal value	41.9%										
2034e Terminal EV/ EBITDA Multiple	5.5x										
2034e Terminal EV/ Sales Multiple	0.7x										

Figure 11 - Discounted Cash Flow (DCF) Analysis

Source: Exro Technologies Inc., ATB Capital Markets

#### Sensitivity to Terminal Growth Rate & WACC

Terminal Growth Rate	Weighted Average Cost of Capital (WACC)				
	12.0%	14.0%	18.4%	20.0%	22.0%
2.0%	\$0.94	\$0.78	\$0.55	\$0.50	\$0.44
2.5%	\$0.97	\$0.80	\$0.56	\$0.50	\$0.44
3.0%	\$1.01	\$0.82	\$0.57	\$0.51	\$0.45
3.5%	\$1.04	\$0.84	\$0.58	\$0.52	\$0.45
4.0%	\$1.09	\$0.87	\$0.59	\$0.53	\$0.46

Figure 12 – Sensitivity to Terminal Growth Rate & WACC

Source: Exro Technologies Inc., ATB Capital Markets

#### Key Risks to Price Target

**Integration Risk:** The Company completed a merger with SEA Electric on April 5, 2024. The base case for the merger was partially predicated on the realization of meaningful synergies. Failure to integrate SEA Electric and/or realize the anticipated synergies represents a potential risk.

**Obsolescence Risk:** The Company's product offering is highly technical; therefore, any failure to keep up with the rate of technological advancement represents a potential risk around obsolescence.

**Competitive Risk:** The Company competes in a large and growing market and is likely to face competition from existing parts suppliers and potential new entrants over the medium to longer term.

**Partnership Risk:** The Company relies heavily on partnerships with several established tier-one parts manufacturers and OEMs. The existing partnerships are based on proof of concept and do not guarantee commercial terms. Failure to maintain existing partnerships and/or establish new ones could have an adverse impact on the Company's performance.

**Product Risk:** The Company's products are used in medium and high-voltage, inherently dangerous applications, including medium and heavy-duty vehicles. The failure of any product, either directly or indirectly, could cause fire, loss of life, property damage or other hazardous conditions, exposing the Company to product liability litigation, recalls, warranty, rework, or other remediation requirements.

**Intellectual Property Risk:** The Company relies heavily on intellectual property (IP) in its product offerings, with R&D spending representing a significant operating expenditure. There is no assurance that R&D investments will translate into revenue or profitability in future periods. The Company holds several patents and industrial knowledge supporting its products and their design and operation. Loss or impairment of IP through litigation, theft, copying or other means could materially impair performance.

**Financing Risk:** The Company's ability to continue as a going concern relies on its ability to maintain access to capital to fund operations and reach the commercial realization of its designs. The failure to do so could impact the Company's ability to execute its growth strategy and manage the sizable debt load that was assumed to complete its merger with SEA Electric.

**COVID-19:** The emergence of COVID-19 and other pandemics could impair the Company's ability to operate at existing and future sites, impairing work planned in various forms. As well, tertiary impacts could impair sponsors or owners of projects in their ability to fund, complete and pay for work performed in current and future periods.

**Forecast Error:** Our estimates, forecasts and expectations are based on sources believed to be reliable, including Company audited and unaudited annual and interim financial reports, guidance, corporate presentations, prospectuses, patent and legal filings and other disclosure materials, as well as other third-party data. However, our forecasts are subject to revisions due to changes in inputs, baselines, accounting changes or model errors, among others, and can affect our valuation and estimates for the Company materially.



### Quarterly Summary

	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24	Q2/24	Q3/24	Q4/24e	2024e	Q1/25e	Q2/25e	Q3/25e	Q4/25e	2025e	Q1/26e	Q2/26e	Q3/26e	Q4/26e	2026e
(Figures in C\$'000s, unless otherwise specified)																				
Total Revenue	325	2,443	2,033	935	5,738	1,203	5,270	10,976	11,754	29,263	18,554	20,741	27,789	30,371	103,454	43,016	49,489	65,533	85,511	243,549
Gross Profit	67	1,152	1,073	240	2,532	348	(2,783)	(2,264)	(588)	(5,268)	2,218	4,285	6,711	9,697	22,909	11,754	13,491	18,469	24,095	67,809
Margin (%)	20.7%	47.2%	52.8%	25.6%	44.1%	27.5%	(52.4%)	(20.6%)	(5.0%)	(18.0%)	11.9%	20.7%	24.1%	26.7%	22.1%	27.3%	27.3%	28.2%	28.2%	27.8%
Adjusted EBITDA	(7,296)	(10,876)	(10,481)	(12,121)	(40,774)	(11,692)	(23,341)	(15,806)	(13,517)	(64,355)	(9,844)	(7,123)	(4,405)	(1,215)	(22,586)	(1,150)	2,109	6,017	10,414	17,389
Margin (%)	nm	nm	nm	nm	nm	nm	(442.9%)	(144.0%)	(115.0%)	(219.9%)	(53.1%)	(34.3%)	(15.9%)	(3.3%)	(21.8%)	(2.7%)	4.3%	9.2%	12.2%	7.1%
Adjusted FD EPS	(\$0.05)	(\$0.08)	(\$0.07)	(\$0.08)	(\$0.20)	(\$0.08)	(\$0.07)	(\$0.06)	(\$0.04)	(\$0.23)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.13)	(\$0.02)	(\$0.02)	(\$0.01)	\$0.00	(\$0.06)

Figure 13 – Quarterly Summary

Source: Exro Technologies Inc., ATB Capital Markets



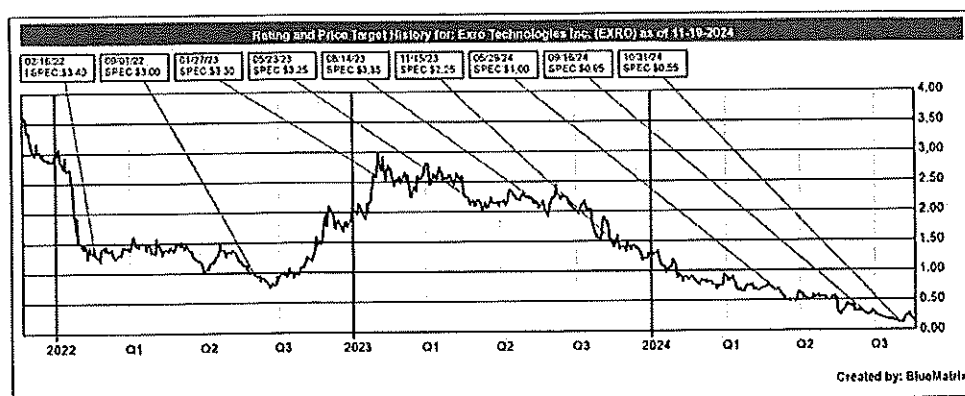
## Exro Technologies Inc.

EXRO C\$0.18  
 Rating: Speculative Buy  
 12 Month Target: C\$0.55

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- 10 Did the analyst receive any payment or reimbursement of travel expenses by the issuer? N

	Ranking Distribution	% IB Clients
Outperform	71%	73%
Sector Perform	24%	74%
Underperform	2%	0%
Speculative Buy	3%	75%
Restricted	0%	0%
Not Rated	0%	0%
Tender	0%	0%
Under Review	0%	0%
Total	100%	72%



ATB Securities Inc. rating system reflects our outlook for expected performance of an issuer's equity securities relative to its peer group over the next 12 months.

**Outperform** - A security is expected to provide a return greater than the peer group.

**Sector Perform** - A security is expected to provide a return in line with the peer group.

**Underperform** - A security is expected to provide a return less than the peer group.

**Speculative Buy** - A security expected to provide a return greater than the peer group, but the risk of a significant loss is material.

**Not Rated** - A security where a rating has not been assigned.

**Tender** - A security where a surrender to a takeover bid or other offer is believed to be fair, which is likely shorter than a 12-month period.

**Under Review** - The analyst is considering the implications on new information on a short-term basis.

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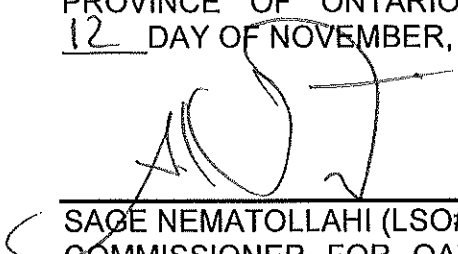
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Exro Technologies Inc.

THIS IS EXHIBIT "K" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA

IA: MAX TROJAN

## File Notes

Client: <u>SUE OZDEMIR</u>	Date: <u>DEC 9, 2024</u>
<input checked="" type="checkbox"/> Telephone Call <input type="checkbox"/> Meeting in Office	<input type="checkbox"/> Meeting Outside Location:

Trades: **BUY**Trades: **SELL**

## Notes:


EV is under significant selling pressure (small caps) <sup>given share price</sup>  
 PWC & BDO audited the valuation of Sea Electric <sup>(mak 2 market)</sup>  
 Fairness opinion from National Bank validated merger <sup>wrote down</sup>  
 Business plan believed there was a strong market w/ OEMs  
 Selling pressure came from disgruntled investors & Sea Electric  
 shareholders (post-lockup) & tax loss selling  
 Analyst Conference Handelsbanken, Vestcor, Nidec, CI Funds  
 Accounts payable - represents current components, inventory, fees  
 Working Capital line of credits are pending <sup>suppliers are paid</sup>  
 Market Skepticism around Trump's influence on EV <sup>& currently up to date</sup>  
 Cost-cutting with reduced payroll & staff.  
 Nidec will become a large client  
 Gioffone will retrofit vehicles for a large BevCo (Coca Cola)  
 Other/Volvo waiting on Q4 results confirm EXRO has turned a corner  
 present day deliberations in Q1 <sup>& are making the</sup>  
 Hino/Mack & Volvo Financing is talking to EXRO presently  
 to assist in ramping production because  
 "everyone wants their technology"

gave  
 guidance  
 \$85 - \$110MM  
 2025  
 600 - 700  
 systems  
 at \$150K/e

Client has been made aware of:

<input type="checkbox"/> Trade Charges:	
<input type="checkbox"/> Trailers:	
<input type="checkbox"/> Loads:	

THIS IS **EXHIBIT "L"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.

  
\_\_\_\_\_  
SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2024

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("Exro", the "Company", "we", "our") during the three and twelve months ended December 31, 2024, and to the date of this report. The following management discussion and analysis ("MD&A") should be read in conjunction with the Company's audited consolidated financial statements for the period ended December 31, 2024 and the December 31, 2023 audited consolidated financial statements and MD&A, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). This MD&A complements and supplements but does not form part of the Company's consolidated financial statements.

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 16. 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 March 31, 2025.

**BUSINESS OVERVIEW**

Exro Technologies Inc. is a clean-technology Company focused on developing next-generation power-control electronics that expand the capabilities of electric motors and batteries. The Company's innovative motor control and electric propulsion technologies, Coil Driver™ and SEA-Drive® are designed to bridge the performance-cost gap in e-mobility; its patented battery control technology, Cell Driver™, supports stationary energy storage for commercial and industrial applications. Together, these solutions accelerate the transition to a circular electrified economy by delivering maximum performance with minimal energy consumption.

Exro's patented technologies enable cost-effective and efficient systems for e-mobility and energy storage. This approach equips the Company to accelerate the development of its partners' commercial trucks and passenger vehicles so they are affordable, perform to real-world requirements, and are easy to scale.

Exro has developed its disruptive technology through multiple years of research and development ("R&D"), automotive certification and manufacturing experience, and on-road validations with multiple partnerships and efforts have culminated in progress marked by product deliveries to OEMs.

**2024 BUSINESS REVIEW**

In 2024, the defining activity for Exro was the merger with SEA Electric Inc, a transformative step that accelerated its strategic initiatives which closed on April 5, 2024. This merger provided a foundation for optimizing operations, enhancing efficiency, and positioning for long-term sustainable growth. Following the merger, significant cost reductions were achieved across operating expenses and bill of materials, while multiple programs advanced within the organization, laying the foundation for future performance improvements. With this, Exro remains focused on strengthening partnerships and scaling its technology to meet demand in the electrification sector.

- **Business Performance and Market Position**

The merger with SEA played a key role in securing multi-year OEM contracts, providing a revenue foundation and accelerating commercialization efforts. In the nine months following the merger close up to the end of 2024, Exro delivered 153 e-propulsion systems to blue-chip OEMs, reinforcing the success of its integration strategy and supporting record annual revenue of \$23,074,027.

In Q4, Exro completed the installation of its Cell Driver Battery Energy Storage System at Red Deer Polytechnic, highlighting promising future opportunities as the Company continues to move forward with commercialization efforts. This was achieved after successfully obtaining the ETL Certification to UL standards for its Cell Driver™ stationary battery energy storage system for commercial and industrial applications in the second quarter.

At the same time as commercialization efforts moved forward, cost management was a priority. Exro successfully reduced operational expenses by 37% from April 5<sup>th</sup> through facility closures, headcount optimization, and streamlined expenditures.



These actions contributed to material cost savings while ensuring that resources were allocated effectively to support core business objectives. In addition, rigorous cash management initiatives led to a 10% reduction in discretionary spending across IT, marketing, and travel.

- **Operational Efficiency and Supply Chain Optimization**

Exro realized significant operational efficiencies, including negotiating improved supply chain payment structures. Payment terms were optimized from requiring 100% upfront to more favorable staged payments, strengthening cash flow management. Strategic facility closures, including the divestiture of Detroit services, were completed to optimize operational footprint. The Company also addressed outstanding merger-related accounts payable, achieving substantial cost savings through vendor negotiations and structured payment plans.

- **Workforce Optimization and Organizational Streamlining**

Following the acquisition of SEA Electric, Exro implemented a structured workforce realignment to ensure the right expertise and resources were in place to support long-term growth. At year-end, total headcount was reduced from 266 at April 5<sup>th</sup> to approximately 160, following a smooth transition that strengthened operational efficiency. Additional headcount reductions were completed in Q1 2025. These changes were carefully managed to align with business objectives while maintaining a strong foundation for future expansion. The Company remains focused on driving productivity and innovation, ensuring that its team is positioned to support evolving market opportunities.

## 2025 STRATEGIC PRIORITIES

Looking ahead, Exro is focused on continuing to improve operational efficiency, while enhancing financial performance.

- **Operational Efficiencies**

A disciplined approach to cost management and profitability remains a priority. Supply chain relationships will continue to be strengthened to secure favorable pricing and mitigate risks, ensuring a resilient and scalable supply network.

- **Sustainable Growth**

The Company is focused on expanding collaborations with existing OEM partners and securing at least two new major partnerships. In addition, the energy storage and renewables segment will see continued investment, leveraging proprietary technology to optimize battery performance in commercial industrial BESS systems.

- **Financial Performance**

Sustainable year-over-year revenue growth remains a key objective, driven by advanced powertrain electrification technologies and expanding partnerships across both the electric vehicle (EV) and energy sectors. The Company is entering 2025 with an optimized cost structure, having successfully reduced annual payroll expenses by more than 50% post-merger, with projected bill of material savings to be realized in 2025.

## 2025 FUNDING STRATEGY

Exro is actively exploring financing alternatives to support its business plan. As of March 31, 2025, the Company has received financial support from an existing investor and is continuing to evaluate other potential funding options with the assistance of third-party financial advisors. There is no guarantee that support from the existing shareholder will continue, nor that the Company will secure an alternative source of funding. Exro will keep stakeholders informed of any developments as they arise.

## MARKET CONSIDERATIONS AND MACRO OUTLOOK

### Near-Term Volatility and Long-Term Growth Potential

While Exro's technology continues to outperform competitors, uncertainty surrounding incentives under the new U.S. administration has introduced market volatility. Changes in regulatory policies, tariffs, and supply chain dependencies have contributed to short-term



investment hesitations across the industry. Many dealers and fleet operators are delaying purchasing decisions, impacting near-term demand for electric vehicles.

### Regulatory and Market Trends

Despite this volatility, the regulatory landscape remains a key driver of future growth. Advanced Clean Trucks ("ACT") regulations continue to mandate increasing zero-emission vehicle production. Federal funding programs such as the Inflation Reduction Act ("IRA") and the Bipartisan Infrastructure Act are expected to provide long-term incentives, though clarity on execution is still required. California's emission standards and the Advanced Clean Fleets ("ACF") regulation also remain significant factors in shaping the industry's trajectory.

However, despite the prospects there is some degree of uncertainty around the structure of these programs in light of recent actions by current administration in the United States of America ("US"), which will necessitate proactive monitoring and response to changes as they unfold.

### Long-Term Market Opportunities

OEMs such as Mack, Isuzu, and Mazda are investing in new U.S. manufacturing facilities to accelerate commercial EV adoption. Emerging markets, particularly in Texas and Florida—despite the absence of state-level incentives—are demonstrating strong growth potential due to increasing corporate investments in electrification. Companies are taking a future-proofing approach, positioning themselves for stability and expansion over the next 24 months, with significant acceleration expected by 2027.

## RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

### Selected quarterly financial data

	Quarter Ended	Revenue from continuing operations (\$'s)	Net Loss (\$'s)	Basic and diluted loss per common and preferred share (\$'s)	Weighted average number of common and preferred shares
Q4	December 31, 2024	6,740,335	(24,336,858)	(0.04)	589,246,680
Q3	September 30, 2024	10,975,605	(225,948,223)	(0.43)	524,534,634
Q2	June 30, 2024	5,270,259	(25,207,109)	(0.05)	490,157,725
Q1	March 31, 2024	87,828	(12,867,234)	(0.08)	170,077,862
Q4	December 31, 2023	—	(18,769,546)	(0.11)	169,405,378
Q3	September 30, 2023	—	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	—	(12,995,906)	(0.08)	158,685,036
Q1	March 31, 2023	—	(8,163,404)	(0.05)	149,820,687

The Company generated revenues for the three months ended December 31, 2024 of \$6,740,335 through the delivery of its proprietary SEA Drive®. Lower revenues were recorded during the three months ended December 31, 2023, compared to the previous quarter due to reduced seasonal variation in demand, typical for the time of the year, as well as supply chain timing.

The Company incurred a total net loss from continuing operations for the three months ended December 31, 2024, of \$23,012,295, compared to \$17,949,607 for the three months ended December 31, 2023. The change in net loss is driven primarily by interest expense in the period recognized on debt acquired during the merger as well as expanded operational activities overall post-merger, compared to the prior period. The Company continues to fulfill its sales and supply agreements with blue-chip OEMs. By prioritizing these programs, Exro has been able to accelerate the integration of its Coil Driver® technology, which is expected to drive additional gross margin from these programs in 2025.

In Q3 2024, the Company recognized impairment expense of \$223,215,594 on the write-down of goodwill and intangible assets (adjusted for a measurement period adjustment in Q4 2024 related to deferred taxes). The Company identified indicators related to the decrease in market capitalization and revised production forecasts and performed a comprehensive assessment that resulted in the write-off of goodwill and impairment recorded against intangible assets. The goodwill and intangible assets were acquired through the acquisitions of SEA Electric on April 5, 2024.



## Management's Discussion &amp; Analysis

For the three and twelve months ended December 31, 2024

Further, the Company saw non-recurring expenses of \$14,259 and \$4,593,633 related to transaction costs for the three and twelve months ended December 31, 2024 respectively. Additional expenses were incurred on the restructuring, including severance costs, and integration related costs as the Company focuses on integration activities to realize synergies between the businesses. The Company recognized non-cash costs related to amortization of \$25,539,291 in the period related to the acquisition of intangible assets, offset by gains on the fair value adjustments to the liability classified warrants of \$6,470,934.

Exro discontinued its engineering services division in the second quarter of 2024 through the sale of assets and the related workforce in the period. With the acquisition of SEA Electric, this division became redundant given a duplication of engineering skill sets acquired with the merger. Revenue earned from discontinued operations for twelve months ended December 31, 2024 was \$2,332,098 compared to \$5,736,140 in prior year. Net loss from discontinued operations during the period was \$1,365,504 (2023 - gain of \$85,415) driven by a loss on disposition of assets. The disposition of the business unit served to reduce operating costs and focus on the Company's delivery of its core products including the Coil Driver® and SEA Drive®.

**For the three months ended December 31, 2024, compared to the three months ended December 31, 2023****Revenue from continuing operations**

	For the three months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Revenue	\$ 6,740,335	\$ —	\$ 6,740,335	100 %
Direct operating costs, excluding amortization	9,047,000	—	9,047,000	100 %
Inventory provision	1,253,851	—	1,253,851	100 %
Gross profit, excluding amortization	\$ (3,560,516)	\$ —	\$ (3,560,516)	100 %

Revenue of \$6,740,335 (December 31, 2023 – nil) from continuing operations for the three months ended December 31, 2024 was generated from the delivery of 43 electric propulsion units delivered in the United States, and Aftersales products and services. While revenue was recognized against the delivery of 43 units, the Company continues to build vehicles for delivery in 2025. Revenue recognized relates to agreements which have been fully delivered during the period. Amounts collected prior to the delivery on the Company's agreements are recorded as unearned revenue until such time all performance obligations have been completed. As at December 31, 2024, the Company recognized unearned revenue of \$4,214,729 which relates primarily to deposits received in advance from the Company's customers.

Direct operating costs, excluding amortization from continuing operations grew to \$9,047,000 for the three months ended December 31, 2024. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units, excluding the amortization related to intangible assets acquired. The Company realized negative gross profit of \$3,560,516 for the three months ended December 31, 2024. Cost-saving measures implemented during the year resulted in bill of materials reductions, expected to be realized in 2025.

**Selling, general and administration**

	For the three months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Selling, general and administration	\$ 3,956,833	\$ 2,663,438	1,293,395	49 %

Selling, general and administration expense increased during the three months ended December 31, 2024 by \$1,293,395 to \$3,956,833 (December 31, 2023 – \$2,663,438). The increase is primarily related to the larger combined Company post-merger with SEA Electric and attributable to:

- Increased computer, internet and software expenses attributable to higher usage and subscriptions post-merger.
- Increased insurance costs incurred to cover expanded operations following the acquisition;
- Higher professional fees incurred in the period, related primarily to tax, legal, and accounting fees. The fees have increased with the increase in operations through the acquisition of SEA Electric;



- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Higher travel related expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries;

**Payroll and consulting**

	For the three months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Payroll and consulting fees	\$ 6,785,635	\$ 4,339,570	2,446,065	56 %

Payroll and consulting fees increased during the three months ended December 31, 2024, by \$2,446,065 to \$6,785,635 (December 31, 2023 – \$4,339,570). The increase is directly related to the acquisition of SEA Electric, and the net increase in headcount resulting from the merger. Payroll costs in the period also includes severance expense of \$378,172 incurred as part of the restructuring and realignment necessary to realize operational synergies. The Company focused on restructuring its workforce during the period through the removal of duplicate roles across the business, and the disposal of its engineering services division.

**Research and development**

	For the three months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Research and development	\$ 97,542	\$ 1,944,172	(1,846,630)	(95) %
Payroll and consulting fees (related to R&D)	1,190,019	1,729,690	(539,671)	(31) %
Share-based payments	—	156,457	(156,457)	100 %
Research and development	\$ 1,287,561	\$ 3,830,319	(2,542,758)	(66) %

Research and development costs decreased by \$2,542,758 to \$1,287,561 (December 31, 2023 – \$3,830,319) for the three months ended December 31, 2024. The costs are related to those incurred directly in continuing operations as the Company continues to focus on the delivery of its Coil Driver™ and Cell Driver™ through to production. The decrease was seen primarily through a reduction in material costs and outside service fees incurred in the period, coupled with a decrease in labor costs related to the reduction in its headcount in the second half of the year.

Exro continues to invest in innovation of its core technology, evidenced through successful demonstrations and innovation stage of passenger vehicle programs, while much of focus in 2024 has been on cost out efforts to reduce material costs and packaging size.

**For the twelve months ended December 31, 2024, compared to the twelve months ended December 31, 2023****Revenue from continuing operations**

	For the twelve months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Revenue	\$ 23,074,027	\$ —	23,074,027	100 %
Direct operating costs, excluding amortization	29,851,169	—	29,851,169	100 %
Inventory provision	1,863,904	—	1,863,904	100 %
Gross profit, excluding amortization	\$ (8,641,046)	\$ —	(8,641,046)	100 %

Revenue from continuing operations of \$23,074,027 was generated from the delivery of 153 electric propulsion units, delivered in the US and Australia and from Aftersales products and services in the period.

Direct operating costs, excluding amortization from continuing operations increased to \$29,851,169 for the twelve months ended December 31, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units.



The Company recognized a provision against inventory of \$1,863,904, as a result of realized negative margins, to adjust inventory on hand to its net realizable value. The amount is a non-cash adjustment and relates to inventory which will be delivered against the Company's purchase orders in subsequent periods.

Exro remains focused on cost optimization and revenue growth strategies through its strategic partnerships with OEMs and refining its pricing to ensure sustainable margins and enhance profitability.

#### ***Selling, general and administration***

	For the twelve months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Selling, general and administration	\$ 14,913,478	\$ 10,152,263	4,761,215	47 %

Selling, general and administration expense increased during the twelve months ended December 31, 2024, by \$4,761,215 to \$14,913,478 (December 31, 2023 – \$10,152,263). The increase is primarily attributable to:

- Increase in professional fees related to the merger with SEA Electric, which closed on April 5, 2024. The increase in professional fees included higher legal, tax and accounting costs, necessarily incurred for diligence and compliance purposes.
- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period.
- Increase in office and general costs, including investor relations, insurance and rent expense, and software and licenses directly related to the acquisition of SEA Electric in the period and the higher operational demands as a result,
- Increased travel expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries.
- Conversely, marketing and advertising expenses saw a decline as promotional activities were reduced, and lower spending on other office and administrative categories including education and training, engineering and shop supplies and maintenance and repairs, offset the overall increase resulting from the transitional costs noted above.

#### ***Payroll and consulting***

	For the twelve months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Payroll and consulting fees	\$ 27,150,045	\$ 15,562,210	11,587,835	74 %

Payroll and consulting fees increased during the twelve months ended December 31, 2024 by \$11,587,835 to \$27,150,045 (December 31, 2023 – \$15,562,210). The change is directly related to the acquisition of SEA Electric, and the resulting increase in headcount from the merger. Payroll and consulting fees included nonrecurring severance payments of \$1,028,959 which were incurred as part of the restructuring and realignment of the business in order to realize operational synergies.

#### ***Research and development***

	For the twelve months ended			
	December 31, 2024	December 31, 2023	\$ Change	% Change
Research and development	\$ 3,259,068	\$ 5,061,155	(1,802,087)	(36) %
Payroll and consulting fees (related to R&D)	5,622,250	6,060,202	(437,952)	(7) %
Share-based payments	37,428	666,737	(629,309)	(94) %
Research and development	8,918,746	11,788,094	(2,869,348)	(24) %

Research and development costs decreased by \$2,869,348 to \$8,918,746 (December 31, 2023 – \$11,788,094) for the twelve months ended December 31, 2024. These costs primarily consist of engineering resources, consulting, and materials to commercialize the Company's technologies to production. Changes to the research and development amounts are as follows:

- Decrease in direct research and development costs mainly due to the advanced development stage and maturity of Coil Drivers and Cell Drivers and a slowdown in R/D, coupled with cost recoveries from collaborative agreement partners



- Reduced payroll and consulting fees directly related to engineering resources required for the development and validation of Exro's products. Amounts allocated from payroll are directly related to the Company's delivery on projects and partnerships in order to reach commercialization and saw a decline in the period due to reduced headcount.
- Decrease in share-based payments as no new stock options related to R/D were granted in the period.

Exro continues to invest in innovation of its core technology, evidenced with successful demonstrations and innovation stage of passenger vehicle programs, while much of focus remains on cost out efforts to reduce material costs and packaging size.

#### RESULTS FROM DISCONTINUED OPERATIONS

On June 14, 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc. entity for a consideration of \$304,872. This resulted in discontinuing the operations and engineering services provided by Exro Vehicle Systems Inc. Exro Vehicle Systems Inc. represents a separate major line of business within the Company, therefore, its results have been classified as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

##### (a) Results from discontinued operation

The following table summarizes the Company's financial results from discontinued operations:

For the twelve months ended December 31,			
	2024		2023
Revenue	\$	2,332,098	\$ 5,736,140
Cost of sales		1,549,468	3,203,735
<b>Gross Profit</b>	<b>\$</b>	<b>782,630</b>	<b>\$ 2,532,405</b>
<b>EXPENSES</b>			
Research and development	\$	484,809	\$ 1,048,798
Selling, general and administration		424,863	731,487
Depreciation expense		269,360	379,666
Interest expense		57,201	132,083
<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>(1,236,232)</b>	<b>(2,292,033)</b>
Other income	\$	136,870	\$ 172,032
Loss on disposal of assets		(1,037,403)	(323,442)
Foreign exchange loss		(11,369)	(3,547)
<b>NET INCOME(LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>\$</b>	<b>(1,365,504)</b>	<b>\$ 85,415</b>

##### (b) Cash flows from (used in) discontinued operation

For the twelve months ended December 31,			
	2024		2023
Cash provided by (used in):			
Cash flows from operating activities	\$	(567,258)	(187,146)
Cash flows from investing activities		183,958	(191,517)
Cash flows from financing activities		(46,136)	364,199
Impact of foreign currency translation		283,575	2,910
<b>Net cash flow for the period</b>		<b>(145,861)</b>	<b>(11,554)</b>



## OUTSTANDING SHARE DATA

As of March 31, 2025, there were 549,513,254 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of March 31, 2025	Number outstanding as of December 31, 2024
Common shares issued and outstanding	549,513,254	540,802,464
Preferred shares issued and outstanding	51,882,782	57,746,424
Options	52,084,318	11,430,990
Warrants	63,622,874	69,905,010
RSUs	2,109,203	4,856,350
PSUs	343,125	397,875

The Company issued 146,453,200 common shares, 160,589,446 convertible preferred shares, 15,457,723 RSUs, 4,085,873 options, and 13,192,842 warrants in connection with the close of the acquisition of SEA Electric on April 5, 2024. The Company issued an additional 106,600,450 common shares for gross proceeds of \$30,020,000, on the conversion of Subscription receipts issued February 16, 2024 to common shares on close of the transaction. On September 13, 2024 the Company issued an additional 71,429,000 common shares for gross proceeds of \$25,000,150, including the issuance of 3,571,450 shares issued as a finders fee in connection with the raise. The Company issued 37,500,225 warrants and 2,857,160 broker warrants as part of the equity financing closed on September 13, 2024.

Subsequent to December 31, 2024, the Company issued 40,907,028 options to employees, directors and executives at a share price of \$0.10. In addition, 7,352,759 preferred shares were converted into common shares. 100,000 RSUs were issued while 2,847,148 RSUs were settled into 1,358,031 common shares and 1,489,117 preferred shares in accordance with the terms of the Company's long term incentive plan.

## SOURCES AND USES OF CASH

	For the twelve months ended	
	December 31, 2024	December 31, 2023
Cash used in operating activities	\$ (51,465,081)	\$ (42,606,366)
Cash used in investing activities	(2,638,434)	(9,058,764)
Cash provided by financing activities	54,591,532	39,830,833
Impact of foreign currency translation	(4,470,318)	631,502
Decrease in cash and cash equivalents	\$ (3,982,301)	(11,202,795)
Ending cash balance	\$ 2,258,875	\$ 6,241,176

Cash used in operating activities increased to \$51,465,081 for the twelve months ended December 31, 2024, compared to \$42,606,366 during the same period in 2023. The increase in cash used in operating activities related to the production and assembly of SEA Drives® in the period, as well as transaction costs incurred as the Company completed the acquisition of SEA Electric. Further the Company saw an increase in payroll expense in the period as a result of the increased headcount while the Company completed various restructuring activities, including a reduction in the workforce of the combined entity. Operating cash flow in the period was also impacted by changes in working capital, as the integration of acquired operations led to higher receivables, increased inventory levels and payables and a resultant working capital deficit. Collectively these factors resulted in a decline in operating cash flow for the period. The company is focused on continuous cost control measures by reducing discretionary spending and streamlining operating expense, as well as improving working capital management through balancing receivables collections and timing of supplier payments, ultimately to stabilize operating cash flow.

Cash used in investing activities of \$2,638,434 for the twelve months ended December 31, 2024 was related to the purchase of capital equipment during the period. Cash used in investing activities reflects a reduction in capital expenditures from prior period which included investments in capital equipment related to the Company's testing capacity and production facility. Cash outflows related to



capital expenditure are expected to continue to decline as the business transitions to an asset light model with reduced capital-intensive investments and asset acquisitions.

Cash provided by financing activities for the twelve months ended December 31, 2024 increased to \$54,591,532 compared to cash provided from financing activities of \$39,830,833 during the same period in 2023. Cash from financing activities was primarily attributable to the equity raise completed in conjunction the acquisition of SEA Electric in Q2 2024 and additional raise completed in the third quarter 2024 and was primarily used to fund operating activities.

The increase in the impact of foreign currency translation is primarily driven by the revaluation of the Company's foreign-denominated balances, notably intangible assets. The fluctuation in exchange rate at the end of the period resulted in a higher translation adjustment leading to increased foreign exchange losses in the period.

#### LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, the Company had cash of \$2,258,875 and accounts receivable of \$1,720,528 while accounts payable and accrued liabilities and other payables totaled \$36,808,049. In order to carry out planned development and meet operating demands, the Company will spend its existing working capital and raise additional funds as needed through but not limited to debt and/or equity financing. Subsequent to year end, the Company secured approximately \$10.8 million through additional drawdown on the promissory notes.

#### GOING CONCERN ASSUMPTION

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as Issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of financial statements, on a going concern basis, which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the twelve-month period ended December 31, 2024, the Company generated a net loss from continuing operations of \$287,567,696 (December 31, 2023 - \$50,708,585) and negative cash flows from operating activities of \$51,465,081 (December 31, 2023 - \$42,606,366). As at December 31, 2024 the Company has an accumulated deficit of \$440,397,962 (December 31, 2023 - \$151,464,762) and a working capital deficit (current assets less current liabilities) of \$6,894,395 (December 31, 2023 - working capital surplus of \$8,303,911). The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of the cash on hand of \$2,258,875 as at December 31, 2024. The Company has current financial liabilities of \$41,333,210 in excess of cash and accounts receivable and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to December 31, 2024. The Company is actively managing its liquidity pending additional financing. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

On April 5, 2024 the Company closed the plan of arrangement and merger with SEA Electric Inc. ("SEA Electric"), and a concurrent capital raise of \$30,020,000 through the issuance of 31,600,000 common shares. In conjunction with the merger, the Company has taken a number of steps in restructuring its operations in order to reduce the combined operating expenses, including reducing the combined entity's employee headcount through the removal of redundant roles. The Company may be required to take additional restructuring measures in the near term; however, there can be no assurances that any such efforts that have been taken, or may be taken, will sufficiently reduce the Company's operating cash burn, as such, there can be no assurance that the Company will be able to continue as a going concern and continue to pay its obligations and liabilities before they come due.

The Company restructured the senior secured convertible promissory notes on July 22, 2024, and secured additional debt financing under the Notes, of US\$3.0 million (\$4,056,600) on July 22, 2024 and US \$2.0 million (\$2,704,400) on August 19, 2024. Additionally, on September 13, 2024, the Company closed a bought deal financing, raising gross proceeds of \$25.0 million to fund short-term working capital.



Subsequent to year end, the Company has secured additional financing by draw down on the Notes of US\$3.0 million (\$4,331,145) on January 29, 2025, US\$2.0 million (\$2,865,040) on February 11, 2025 and US\$2.5 million (\$3,606,712) on March 12, 2025. The additional financing is aimed at improving the Company's liquidity and support working capital and operational needs. Until such time the Company has secured additional financing, it continues to be reliant on additional draws on the senior secured promissory notes. There is no assurance that the senior secured promissory note holders will continue to provide additional financing.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

#### IMPAIRMENT

Intangible assets and goodwill are tested for impairment in accordance with the Company's accounting policy. Management reviews the carrying value of its intangible assets and goodwill at each reporting period for indicators of impairment. In addition, management will test the recoverable amount of goodwill annually.

The Company's CGUs are determined based on its production offerings, including Exro SEA Drive, Coil Driver, and Cell Driver. Goodwill of \$152,810,425 and intangible assets of \$194,469,198 have been allocated to the Exro SEA Drive CGU, which was acquired on April 5, 2024 through the acquisition of SEA Electric. During the year ended December 31, 2024, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, compared to the forecasts at the time of acquisition, as a result of slower adoption rates in the EV industry than originally forecasted. The Company recognizes this is an indicator of impairment, which warrants an assessment of the recoverable amount of its cash generating units ("CGU"). The indicators are directly related to the Exro SEA Drive CGU.

The recoverable amount of the CGU was determined based on the fair value less cost of disposal ("FVLCD"). The Company estimated the recoverable amount based on the discounted cash flows to be generated from continuing operations for the Exro SEA Drive CGU. Cash flow assumptions are based on a combination of historical results and expected future results.

- Expected revenue growth, linked to production volumes
- Expected decrease in cost of production per unit
- Discount rate

Revenue growth rates for the Exro SEA Drive are based on a forecasted production volumes with the Company's OEM customers, incorporating expected pricing and cost improvements and efficiencies over the Company's forecasted period, based on budgets and forecasts reviewed by the Company's Board of Directors. The expected revenue growth rates range from 160% to 24% from 2025 through 2029.

The cash flows are prepared on a five-year basis, using a discount rate of 30%. The discount rate was derived from the Company's weighted average cost of capital, adjusted for specific risk factors to the Company. Cash flows from beyond the five-year period are extrapolated using a constant growth rate of 2.0%, and an annuity period of 20 years.

A comparison of the recoverable amounts for the Exro SEA Drive CGU to the carrying value resulted in an impairment expense of \$223,215,594 (adjusted for a measurement period adjustment in Q4 2024 related to deferred taxes). The Company recognized a write-down of goodwill of \$153,184,193, and \$70,031,401 of impairment on the intangible assets acquired. The remaining carrying value of the SEA Drive CGU is \$139,497,089 after impairment.

A sensitivity analysis on the discount rate, and expected future production, would have the following impact on the December 31, 2024 impairment:



	(Increase) Decrease in Impairment Expense December 31, 2024
10% increase in forecasted annual production	13,542,269.00
10% decrease in forecasted annual production	(15,935,793.00)
1% increase in discount rate	(4,998,883.00)
1% decrease in discount rate	5,217,291.00

Assumptions that are valid at the time of preparing the impairment test at December 31, 2024 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to its CGUs on an ongoing basis.

#### INVESTMENT

On February 9, 2021, the Company announced a collaboration agreement with SEA Electric Holdings Pty Ltd. ("SEA Electric"). As part of the agreement, Exro invested US\$5,000,000 in SEA Electric by subscribing for 124,380 Series A Preferred Shares at a price of US\$40.1995 per share. The shares are convertible into common shares of SEA at the option of Exro and automatically convert to common shares under certain conditions, including SEA completing a going public transaction.

On April 5, 2024 the Company completed the acquisition of SEA Electric. The investment balance was recorded at fair value based on the consideration paid to the former shareholders of SEA, and the amount recognized as part of the consideration paid for the business. As at April 5, 2024 the fair value of shares held in SEA Electric were valued at \$56.06 CAD per share, based on Exro's closing share price on April 5, 2024 of \$0.85, for a total value of US\$5,141,810. The amount was recorded at \$6,973,067 and included in consideration for the acquisition of SEA Electric.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the three and twelve months ended December 31, 2024.

#### CRITICAL JUDGMENTS

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

- Management is required to assess the functional currency of the Company and its subsidiaries. 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.
- 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.
- Where the fair value of financial assets and liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Where the fair value cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
- Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and equity components. The debentures consist of a financial liability which represents the obligation to pay coupon interest on the convertible debentures in the future, a freestanding equity classified share purchase warrant, and an equity component related to the ability to convert the debenture to common shares at the option of the holder.

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial



recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability and equity components may also be based on various assumptions including contractual future cash flows, discount rates, volatility, credit spread, and the presence of any derivative financial instruments.

- v. Management applied judgment in assessing the accounting treatment for the individual components of the senior secured convertible debentures and whether the warrants and conversion option qualify as an equity instrument, including whether the terms meet the fixed for fixed requirement.
- vi. Impairment tests - the Company assesses at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. If any indication of impairment exists, the Company determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, technological and economic declines, including the decline in Exro's common share price. Internal triggering events include, for example, lower profitability or planned restructuring.
- vii. The determination of consideration transferred involves judgment, particularly in assessing the fair value of the assets exchanged and liabilities assumed. Management carefully evaluates all components of the transaction to ensure the appropriate recognition and measurement of consideration.

The consideration transferred typically includes cash payments, equity instruments, and any pre-existing relationships between the parties. The fair value of equity instruments issued as part of the transaction is determined based on market prices at the acquisition date or through valuation techniques where market data is unavailable. These estimates require management to make assumptions regarding future financial performance, market conditions, and discount rates, all of which can significantly impact the recorded purchase price. Additionally, Management applies professional judgment to assess whether pre-existing relationships such as prior investments, form part of the consideration or represent a separate transaction.

#### ESTIMATION UNCERTAINTY

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

- i. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.  
  
Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.
- ii. 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.
- iii. Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets.
- iv. Business combinations - the acquired assets and assumed liabilities (other than deferred taxes and goodwill) are recognized at fair value on the date Exro obtains control. The measurement of the assets acquired, and liabilities assumed in a business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), non-cash working capital, property, plant and equipment, and other assets and liabilities at the date of the acquisition, as well as the useful lives of the acquired intangible assets is based on assumptions and generally requires significant judgement. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

The Company engaged independent third-party valuation experts to assist in estimating the fair value of the acquired goodwill and intangible assets acquired. The income approach has been used to estimate the fair value of certain intangible assets using the forecasts prepared by management. The measurement of the estimated fair value of acquired intangible assets was based on several significant assumptions, including future cash flows associated with the acquired assets, discount rates, customer



attrition rates and royalty rates. Changes to these assumptions could have resulted in a significant impact to the fair value of intangible assets and goodwill.

- v. Impairment tests - If impairment tests are required, the Company's impairment test compares the carrying value of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance, as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

#### PROPOSED TRANSACTIONS

The Company closed its acquisition of SEA Electric on April 5, 2024. There are no other 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 consolidated financial statements for the three and twelve months ended December 31, 2024. 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 three and twelve months ended December 31, 2024, the following expenses were incurred to the Company's key management:

	For the three months ended		For the twelve months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Payroll and consulting fees	796,631	1,498,140	4,032,973	4,184,323
Share-based payments	21,774	655,944	529,427	3,534,082
	818,405	2,154,084	4,562,400	7,718,405

Decreased expenses related to key management compensation relate primarily to changes in composition of key management compared to the same period in 2023. Decrease in the three months ended December 31, 2024 relates to the absence of bonus expenses which were incurred in the prior period whereas no such bonuses were paid in the current period.

#### FINANCIAL INSTRUMENTS

##### (a) Fair value

As at December 31, 2024 and December 31, 2023, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and other payables approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

The Company uses a fair value hierarchy to reflect the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;



Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs that are not based on observable market data.

The following table outlines the fair value hierarchy of the Company's financial instruments that are measured at fair value:

Instrument	Fair value hierarchy
Derivative asset	Level 2
Liability classified warrant	Level 2

#### (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 December 31, 2024, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents and accounts receivable. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure.

The Company applies the simplified approach under IFRS 9 and calculates expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

##### **Liquidity risk**

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

As at December 31, 2024, the Company had cash of \$2,258,875 and accounts payable of \$32,054,200 and accrued liabilities and other payables of \$4,753,849 due within one year.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash. Subsequent to the close of the acquisition of SEA Electric on April 5, 2024, no change of control occurred. The debentures have a maturity date of December 31, 2027.

The Company holds senior secured promissory notes, with a face value plus accrued interest of US\$63,530,599 (\$91,369,707) due on March 12, 2028. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date.

##### **Market risk**

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

##### **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At December 31, 2024, the Company had the equivalent of \$93,424,619 of net financial liabilities denominated in US dollars, \$1,194,869 of net financial liabilities denominated in Euros, and \$2,227,303 of net financial liabilities denominated in Australian Dollars.



### **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's exposure arises from changes in trade policies in regions where it operates, which can induce increased market volatility and result in fluctuations in the pricing of financial instruments.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

### **Internal Controls Over Financial Reporting**

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Exro; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control



procedures will prevent all errors or fraud. The Company identified a material weakness in its ICFR during the period ended June 30, 2024, described further below.

#### Scope limitation

The Company's assessment and conclusion of the effectiveness of DC&P and ICFR excludes controls, policies and procedures of SEA Electric, the control of which was acquired on April 5, 2024. The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109, which allows an issuer to limit the DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period in question.

#### Identified material weakness

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In conjunction with the preparation of the Company's consolidated financial statements for the period ended December 31, 2024, Management concluded a material weakness existed in the Company's internal controls over financial reporting. As at September 30, 2024, the Company did not have sufficient accounting and financial reporting personnel available to adequately address complex accounting and valuation matters like those associated with the acquisition accounting of SEA Electric on April 5, 2024, including the timely preparation and review of financial statements and other external reporting. The material weakness resulted in material adjustments to our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024.

#### December 31, 2024, Update

As at December 31, 2024, the material weakness still exists however the Company has taken steps to improve its DC&P and ICFR and remediate the material weakness through addition of qualified accounting personnel with experience in complex accounting matters and financial reporting in accordance with IFRS, to directly assist in the timely preparation of financial statements and strengthen its accounting function. Additionally, the Company has also engaged consultants to assist with complex accounting matters where necessary to ensure the appropriate treatment of such matters. Furthermore, the Company has enhanced its internal review process and implemented segregation of duties across accounting personnel to ensure appropriate and adequate review controls are in place. These measures are expected to improve the efficiency and accuracy of the Company's financial reporting process. The Company will continue to assess the effectiveness of these remediation efforts over time.

#### RISKS FACTORS

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 2024 Annual Information Form filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). 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.

#### 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 statements 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 March 31, 2025 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.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Exro's business plans, outlook and strategy;
- Exro's expectation with respect to its future purchase orders, sales agreements, and production;
- Exro's expectation with respect to its future hiring and R&D activities;
- Expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same;
- Anticipated supply and demand of Exro's products; and
- Expectations with regard to Exro's ability to maintain and raise adequate source of funding to finance the Company's operations and development; and
- The results of the Company's merger with SEA Electric, and the future operations including synergy's, revenue acceleration, multi-year commitments and path to profitability.

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, "FOFI") about Exro's prospective financial position. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Exro's anticipated future business operations.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include the risk factors set out in Exro's annual information form and include, but not limited to:

- Factors outside Exro's control may impact Exro's ability to successfully execute its commercialization plan;
- Potential delays in Coil Driver™ on road validation testing with customers;
- May not have enough orders to fill full capacity of the production facility;
- Anticipated market demand and sales orders may differ based on changes in customers' pipelines and/or product requirements;
- A joint promotion of the technology by Linamar and Exro to the market with the intention of commercializing the Coil Driver™ e-Axle into series production may not realize unless the validation testing is complete and successful;
- Potential delays in completion of testing and validation of future Coil Driver™ prototypes.




- Continuous SEA drive production in a timely and sufficient manner to meet demand
- Significant shift in the demand, adoption and regulatory landscape of passenger and commercial EVs
- Geopolitical risks and considerations particularly arising from domestic and international trade laws and tariffs

Exro's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Company's 2024 Annual Information Form available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements and FOFI contained in this MD&A are expressly qualified by this cautionary statement. Exro does not undertake any obligation to update or revise any forward-looking statements or FOFI, whether as a result of new information, future events or otherwise, unless required by law.

Calgary, AB

March 31, 2025

THIS IS EXHIBIT "M" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



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SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



**Consolidated Financial Statements**  
**As at and for years ended December 31, 2024 and 2023**

*(Expressed in Canadian dollars)*



## Independent auditor's report

To the Shareholders of Exro Technologies Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Exro Technologies Inc. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of intangible assets and goodwill of the Exro SEA Drive Cash Generating Unit (CGU)</b></p> <p><i>Refer to note 3 – Material accounting policies, note 5 – Business combinations and note 9 – Intangible assets and goodwill to the consolidated financial statements.</i></p> <p>The carrying values for goodwill and intangible assets, net of impairment and amortization, for the Exro Sea Drive CGU as of December 31, 2024 was nil, and \$105.3 million. On April 5, 2024, the Company acquired all of the issued and outstanding shares of SEA Electric Inc. and its operating subsidiaries. The fair values of the acquired assets at the date of acquisition included \$152.8 million of goodwill and \$194.5 million of intangible assets.</p> <p>Goodwill is assessed for impairment annually or as events occur that could result in impairment. The goodwill and intangible assets are reviewed, at each reporting period, for indicators of impairment. If any indicator exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. When the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Evaluated how management determined the recoverable amount of the Exro SEA Drive CGU, which included the following: <ul style="list-style-type: none"> <li>– Tested the appropriateness of the FVLCD model used and the mathematical accuracy of the discounted cash flows.</li> <li>– Tested the reasonableness of expected revenue growth linked to production volumes and the expected decrease in cost of production per unit used in the estimation of the discounted cash flows by comparing them to the budget approved by the board of directors and by considering current financial results of the Exro SEA Drive CGU.</li> <li>– Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate applied by the Company in the discounted cash flows.</li> <li>– Tested the underlying data used in the discounted cash flows.</li> </ul> </li> <li>• Tested the disclosures made in the consolidated financial statements, particularly with regard to the impairment of the Exro SEA Drive CGU.</li> </ul>



### Key audit matter

### How our audit addressed the key audit matter

Subsequent to the acquisition, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, which were directly related to the Exro SEA Drive CGU. Consequently, the Company performed an assessment of the recoverable amount of its Exro SEA Drive CGU and estimated the recoverable amount using a fair value less costs of disposal (FVLCD) model. The Company estimated the recoverable amount based on the discounted cash flows from the Exro SEA Drive CGU. Key assumptions used in the determination of discounted cash flows included expected revenue growth linked to production volumes, expected decrease in cost of production per unit and discount rate. A comparison of the recoverable amount for the Exro SEA Drive CGU to its carrying value resulted in an impairment expense of \$153.2 million of goodwill and \$70.0 million of intangible assets.

We considered this a key audit matter due to the significant judgment by management in determining the recoverable amount of the Exro SEA Drive CGU, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Joon Chan.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Calgary, Alberta  
March 31, 2025

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

As at	Note	December 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 2,258,875	\$ 6,241,176
Accounts receivable	17	1,720,528	4,233,672
Prepaid expense		3,642,099	1,348,321
Inventory	10	30,796,716	6,665,963
<b>Total current assets</b>		<b>38,418,218</b>	<b>18,489,132</b>
Investment	7	—	8,357,423
Property, plant, and equipment	8	32,571,637	32,079,698
Intangible assets	9	105,328,473	—
Derivative asset	13	20,219	1,217,346
<b>TOTAL ASSETS</b>		<b>\$ 176,338,547</b>	<b>\$ 60,143,599</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 32,054,200	\$ 5,709,889
Accrued liabilities and other payables		4,753,849	2,920,062
Unearned revenue	6	4,214,729	—
Lease liability – current portion	11	2,298,260	1,555,270
Liability classified warrant	12	415,871	—
Warranty provision		1,575,704	—
<b>Total current liabilities</b>		<b>45,312,613</b>	<b>10,185,221</b>
Long-term debt		122,888	50,000
Lease liability – long-term portion	11	5,974,545	5,248,178
Convertible debentures	13	12,748,383	12,089,076
Senior secured promissory note	12	89,472,226	—
<b>TOTAL LIABILITIES</b>		<b>\$ 153,630,655</b>	<b>\$ 27,572,475</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	418,899,358	154,354,940
Contributed surplus		40,864,892	28,768,802
Equity component of convertible debentures	13	991,295	991,295
Deficit		(440,397,962)	(151,464,762)
Accumulated other comprehensive gain (loss)		2,350,309	(79,151)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>\$ 22,707,892</b>	<b>\$ 32,571,124</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 176,338,547</b>	<b>\$ 60,143,599</b>

Going concern (note 1)

Commitments and contingencies (note 24)

Subsequent events (note 25)

These consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2025. They are signed on the Company's behalf by:

/s/ Rod Copes

Director

/s/ Frank Simpkins

Director

See accompanying notes to the consolidated financial statements

Exro Technologies Inc.  
**Consolidated Statements of Comprehensive Loss**  
*(Expressed in Canadian dollars)*

		For the years ended December 31,	
	Note	2024	2023
			(restated - note 19)
Revenue	6	\$ 23,074,027	\$ —
Direct operating costs, excluding amortization		29,851,169	—
Inventory provision	10	1,863,904	—
<b>GROSS PROFIT, EXCLUDING AMORTIZATION</b>		<b>\$ (8,641,046)</b>	<b>\$ —</b>
<b>EXPENSES</b>			
Depreciation and amortization	8,9	30,150,240	2,745,835
Payroll and consulting		27,150,045	15,562,210
Selling, general and administration		14,913,478	10,152,263
Research and development	18	8,918,746	11,788,094
Interest expense	12, 13	8,459,495	2,332,894
Transaction costs		4,593,633	—
Share-based payments	14	2,506,321	3,916,464
Warranty expense		573,777	—
Gain on disposal of assets		(5,103)	(216,825)
<b>TOTAL EXPENSES</b>		<b>\$ (97,260,632)</b>	<b>\$ (46,280,935)</b>
Loss on investment	7	(1,570,796)	(2,200,747)
Change in fair value of derivative asset	13	(1,197,127)	(1,172,216)
Change in fair value of promissory note	12	11,356,485	—
Change in fair value of liability classified warrant	12	6,470,934	—
Impairment expense	9	(223,215,594)	—
Foreign exchange loss		(1,326,544)	(968,481)
Other income (expense)	20	2,873,550	(86,206)
<b>Net loss before tax from continuing operations</b>		<b>\$ (312,510,770)</b>	<b>\$ (50,708,585)</b>
Deferred tax recovery	23	24,943,074	—
<b>Net loss from continuing operations</b>		<b>\$ (287,567,696)</b>	<b>\$ (50,708,585)</b>
<b>Net income (loss) from discontinued operations</b>	19	<b>\$ (1,365,504)</b>	<b>\$ 85,415</b>
<b>NET LOSS</b>		<b>\$ (288,933,200)</b>	<b>\$ (50,623,170)</b>
Items that may be subsequently reclassified to earnings:			
Gain on translation of foreign currency		2,429,460	479,972
<b>COMPREHENSIVE LOSS</b>		<b>\$ (286,503,740)</b>	<b>\$ (50,143,198)</b>
Net loss per share - basic and diluted	14	\$ (0.65)	\$ (0.31)
Weighted average number of shares outstanding		444,123,823	161,707,518

See accompanying notes to the consolidated financial statements

**Exro Technologies Inc.**  
**Consolidated Statements of Shareholders' Equity**  
*(Expressed in Canadian dollars)*

	Note	Number of common shares outstanding	Number of preferred shares outstanding	Share capital	Contributed surplus	Equity component of convertible debentures	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
<b>Balance, December 31, 2022</b>		<b>146,834,230</b>	<b>—</b>	<b>\$ 109,544,685</b>	<b>\$ 26,278,530</b>	<b>\$ 994,610</b>	<b>\$ (100,841,592)</b>	<b>\$ (559,123)</b>	<b>\$ 35,417,110</b>
Financing, net of issuance costs		15,525,000	—	32,469,732	—	—	—	—	32,469,732
Shares issued for interest	14	1,102,077	—	1,796,993	—	—	—	—	1,796,993
Shares issued on conversion of debenture		20,833	—	43,213	—	(3,315)	—	—	39,898
Shares issued on exercise of options	14	973,790	—	1,247,179	(541,331)	—	—	—	705,848
Shares issued on exercise of warrants	14	5,448,436	—	9,004,140	(1,302,600)	—	—	—	7,701,540
Shares issued on exercise of RSUs	14	117,462	—	248,998	(248,998)	—	—	—	—
Share-based payments		—	—	—	4,583,201	—	—	—	4,538,201
Net loss		—	—	—	—	—	(50,623,170)	—	(50,623,170)
Other comprehensive income		—	—	—	—	—	—	479,972	479,972
<b>Balance, December 31, 2023</b>		<b>170,021,818</b>	<b>—</b>	<b>\$ 154,354,940</b>	<b>\$ 28,768,802</b>	<b>\$ 991,295</b>	<b>\$ (151,464,762)</b>	<b>\$ (79,151)</b>	<b>\$ 32,571,124</b>
Acquisition	5	146,453,200	160,589,446	213,210,889	9,172,628	—	—	—	222,383,517
Financing, net of issuance costs	14	106,600,450	—	44,684,247	5,143,784	—	—	—	49,828,031
Shares issued for interest	14	8,201,140	—	1,794,000	—	—	—	—	1,794,000
Shares issued on exercise of options	14	300,000	—	155,730	(64,730)	—	—	—	91,000
Shares issued on exercise of RSUs	14	3,145,609	3,236,725	4,699,279	(4,699,279)	—	—	—	—
Shares issued on exercise of warrants	14	500	—	273	(62)	—	—	—	211
Conversion of preferred shares	14	106,079,747	(106,079,747)	—	—	—	—	—	—
Share-based payments	14	—	—	—	2,543,749	—	—	—	2,543,749
Net loss		—	—	—	—	—	(288,933,200)	—	(288,933,200)
Other comprehensive income		—	—	—	—	—	—	2,429,460	2,429,460
<b>Balance, December 31, 2024</b>		<b>540,802,464</b>	<b>57,746,424</b>	<b>\$ 418,899,358</b>	<b>\$ 40,864,892</b>	<b>\$ 991,295</b>	<b>\$ (440,397,962)</b>	<b>\$ 2,350,309</b>	<b>\$ 22,707,892</b>

See accompanying notes to the consolidated financial statements

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

		For the years ended December 31,	
	Notes	2024	2023
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (288,933,200)	\$ (50,623,170)
Items not involving cash:			
Depreciation and amortization	8, 9	30,482,884	3,262,638
Share-based payments	14	2,543,749	4,583,201
Non-cash interest	13	7,727,842	2,423,761
Loss on disposal of assets	19	1,104,994	106,617
Unrealized loss on investments	7	1,570,796	2,200,
Unrealized foreign exchange loss		4,786,803	242,790
Change in fair value of derivative asset	13	1,197,127	1,172,216
Change in fair value of promissory note	12	(11,356,485)	—
Change in fair value of liability classified warrant	12	(6,470,934)	—
Impairment expense	9	223,215,594	—
Inventory provision	10	1,863,904	—
Deferred tax recovery		(24,943,074)	—
Changes in non-cash working capital items:			
Accounts receivable		3,887,963	(3,339,339)
Prepaid expenses		1,119,244	(466,255)
Accounts payable and accrued liabilities		2,275,761	3,437,652
Inventory		511,279	(4,501,762)
Unearned revenue		(2,434,052)	(1,105,462)
Warranty provision		384,724	—
<b>Cash used in operating activities</b>		<b>\$ (51,465,081)</b>	<b>\$ (42,606,366)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment	8	(1,983,494)	(8,835,456)
Proceeds from sale of assets	19	187,585	—
Change in non-cash working capital		(1,527,786)	(223,308)
Cash acquired on acquisition	5	685,261	—
<b>Cash used in investing activities</b>		<b>\$ (2,638,434)</b>	<b>\$ (9,058,764)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from financings	14	61,271,084	34,931,251
Share issue cost		(11,443,052)	(2,461,519)
Proceeds from exercise of options	14	91,000	705,848
Proceeds from exercise of warrants	14	211	7,701,540
Proceeds from promissory note		6,863,245	—
Principal repayments of lease liability	11	(1,917,290)	(986,723)
Repayment of debt		(40,000)	—
Change in non-cash working capital		(233,666)	(59,564)
<b>Cash provided by financing activities</b>		<b>\$ 54,591,532</b>	<b>\$ 39,830,833</b>
Impact of foreign currency translation		(4,470,318)	631,502
Decrease in cash and cash equivalents		(3,982,301)	(11,202,795)
Cash and cash equivalents, beginning of the period		6,241,176	17,443,971
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 2,258,875</b>	<b>\$ 6,241,176</b>

See accompanying notes to the consolidated financial statements

## 1. NATURE OF OPERATIONS

Exro Technologies Inc. ("Exro" or the "Company") is incorporated under the British Columbia Business Company Act. The Company's shares are listed on the TSX Exchange ("TSX") and trades under the symbol "EXRO". The Company's head office is located at 12-21 Highfield Circle S.E., Calgary, Alberta, T2G 5N6. Exro is a clean technology company that has developed new-generation power control electronics with an innovative suite of solutions, including Coil Driver™, Cell Driver™ and SEA Drive® that expand the capabilities of electric motors and batteries and offer OEMs a comprehensive e-propulsion solution with unmatched performance and efficiency. The Company is working towards commercialization and series production of its patented Coil Driver™ technology while concurrently generating revenue from the sale of SEA Drive®.

### Going Concern Assumption

These consolidated financial statements have been prepared on a going concern basis which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the year ended December 31, 2024, the Company generated a net loss from continuing operations of \$287,567,696 (December 31, 2023 - \$50,708,585) and negative cash flows from operating activities of \$51,465,081 (December 31, 2023 - \$42,606,366). As at December 31, 2024 the Company has an accumulated deficit of \$440,397,962 (December 31, 2023 - \$151,464,762) and a working capital deficit (current assets less current liabilities) of \$6,894,395 (December 31, 2023 - working capital surplus of \$8,303,911). The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of the cash on hand of \$2,258,875 as at December 31, 2024. The Company has current financial liabilities of \$41,333,210 in excess of cash and accounts receivable and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to December 31, 2024. The Company is actively managing its liquidity pending additional financing. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

On April 5, 2024 the Company closed the plan of arrangement and merger with SEA Electric Inc. ("SEA Electric") (note 5), and a concurrent capital raise of \$30,020,000 through the issuance of 31,600,000 common shares. In conjunction with the merger, the Company has taken a number of steps in restructuring its operations in order to reduce the combined operating expenses, including reducing the combined entity's employee headcount through the removal of redundant roles. The Company may be required to take additional restructuring measures in the near term; however, there can be no assurances that any such efforts that have been taken, or may be taken, will sufficiently reduce the Company's operating cash burn, as such, there can be no assurance that the Company will be able to continue as a going concern and continue to pay its obligations and liabilities before they come due.

The Company restructured the senior secured convertible promissory notes (note 12) on July 22, 2024, and secured additional debt financing under the Notes, of US\$3.0 million (\$4,056,600) on July 22, 2024 and US\$2.0 million (\$2,704,400) on August 19, 2024. Additionally, on September 13, 2024, the Company closed a bought deal financing, raising gross proceeds of \$25.0 million to fund short-term working capital.

Subsequent to year end, the Company has secured additional financing by draw down on the Notes of US\$3.0 million (\$4,331,145) on January 29, 2025, US\$2.0 million (\$2,865,040) on February 11, 2025, and US\$2.5 million (\$3,606,712) on March 12, 2025. The additional financing is aimed at improving the Company's liquidity and support working capital and operational needs. Until such time the Company has secured additional financing, it continues to be reliant on additional draws on the senior secured promissory notes. There is no assurance that the senior secured promissory note holders will continue to provide additional financing.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## **2. BASIS OF PREPARATION**

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

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements of the Company for the year ended December 31, 2024 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 31, 2025.

### **(b) Basis of preparation**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

### **(c) Functional currency and presentation**

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its Canadian based subsidiaries.

### **(d) Basis of consolidation**

The Company controls an investee if the Company has power over the entity; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

are included in loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

Subsidiaries	Location of Operations	Percent Ownership	Functional Currency
DPM Technologies Inc.	Vancouver, Canada	100%	Canadian Dollar
Exro Technologies USA, Inc.	Arizona, USA	100%	US Dollar
Exro Vehicle Systems Inc.	Michigan, USA	100%	US Dollar
SEA Electric Inc.	California, USA	100%	US Dollar
SEA Electric LLC	California, USA	100%	US Dollar
SEA Electric Holdings Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Automotive Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Electric Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Electric ASIA Ltd	Bangkok, Thailand	100%	Thai Baht
SEA Electric Ltd	Auckland, New Zealand	100%	NZ Dollar
SEA Electric GmbH	Vienna, Austria	100%	Euro
SEA Electric Limited	London, United Kingdom	100%	British Pounds
Cellex Energy Inc.	Arizona, USA	100%	US Dollar
Cellex Energy IP Inc.	Vancouver, Canada	100%	US Dollar

**(e) Significant accounting estimates and judgements**

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

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

**Critical judgements**

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

- Management is required to assess the functional currency of the Company and its subsidiaries. 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.
- 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.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars)*

- c. Where the fair value of financial assets and liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. Where the fair value cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
- d. Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and equity components. The debentures consist of a financial liability which represents the obligation to pay coupon interest on the convertible debentures in the future, a freestanding equity classified share purchase warrant, and an equity component related to the ability to convert the debenture to common shares at the option of the holder.

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability and equity components may also be based on various assumptions including contractual future cash flows, discount rates, volatility, credit spread, and the presence of any derivative financial instruments.

- e. Management applied judgment in assessing the accounting treatment for the individual components of the senior secured convertible debentures and whether the warrants and conversion option qualify as an equity instrument, including whether the terms meet the fixed for fixed requirement
- f. The Company assesses at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. If any indication of impairment exists, the Company determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, technological and economic declines, including a decline in Exro's common share price. Internal triggering events include, for example, lower profitability or planned restructuring.
- g. The determination of consideration transferred involves judgment, particularly in assessing the fair value of the assets exchanged and liabilities assumed. Management carefully evaluates all components of the transaction to ensure the appropriate recognition and measurement of consideration.

The consideration transferred typically includes cash payments, equity instruments, and any pre-existing relationships between the parties. The fair value of equity instruments issued as part of the transaction is determined based on market prices at the acquisition date or through valuation techniques where market data is unavailable. These estimates require management to make assumptions regarding future financial performance, market conditions, and discount rates, all of which can significantly impact the recorded purchase price. Additionally, Management applies professional judgment to assess whether pre-existing relationships such as prior investments, form part of the consideration or represent a separate transaction

**Estimation uncertainty**

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

a. Taxable Income

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

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

b. Accrued Liabilities

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.

c. Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows.

d. Business combinations

The acquired assets and assumed liabilities (other than deferred taxes and goodwill) are recognized at fair value on the date Exro obtains control. The measurement of the assets acquired and liabilities assumed in a business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), non-cash working capital, property, plant and equipment, and other assets and liabilities at the date of the acquisition, as well as the useful lives of the acquired intangible assets is based on assumptions and generally requires significant judgement. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

The Company engaged independent third-party valuation experts to assist in estimating the fair value of the acquired goodwill and intangible assets acquired. The income approach has been used to estimate the fair value of certain intangible assets using the forecasts prepared by management. The measurement of the estimated fair value of acquired intangible assets was based on several significant assumptions, including future cash flows associated with the acquired assets, discount rates, customer attrition rates and royalty rates. Changes to these assumptions could have resulted in a significant impact to the fair value of intangible assets and goodwill.

e. Impairment tests

If impairment tests are required, the Company's impairment test compares the carrying value of the CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and

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actual performance, as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

### 3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to the applicable years presented.

#### (a) Foreign currency translation

The financial statements for each of the Company's subsidiaries are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in accumulated other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of comprehensive loss.

#### (b) Revenue

The Company recognizes revenue in accordance with IFRS 15 when following criteria are met:

- Contract is identified. Contracts, and the approval of contracts, may be written, oral or implied by the Company's customary business practices.
- Performance obligation(s) are met. A performance obligation is a promise to a customer to transfer one of the following:
  - a good or service (or a bundle of goods or services) that is distinct
  - a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer
- Transaction price can be determined. The transaction price is the amount of consideration that the Company expects to be entitled to in exchange for the promised goods or services to a customer. The transaction price is adjusted for variable consideration arising from rebates or discounts granted. The rebates are estimated at the time of initial sale and constrained to the extent that it is highly probable that a significant revenue reversal will not occur.
- Allocation of the transaction price to each performance obligation. To allocate the transaction price to each performance obligation, the Company determines the stand-alone selling price at contract inception of each distinct good or service and allocates the transaction price proportionately. The stand-alone selling price is the price at which the Company would sell a promised good or service separately to a customer.
- Recognize revenue when each obligation is satisfied through the transfer of control of promised goods or services to the Company's customers. Control transfers once a customer has the ability to direct the use

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of and obtain substantially all of the benefits from the product. This includes physical possession, and customer acceptance. This may occur over time or at a single point in time.

Revenue from the sale of products is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer. The majority of the Company's contracts have a single performance obligation and are short-term in nature. The company's obligation to repair or replace faulty products under standard warranty terms is recognized as a provision.

Revenue from Aftersales services and products is recognized after services have been rendered to the customer. This is at the point in time when the service is performed and completed, and the customer has received the benefit of the service.

The Company recognizes unearned revenue when an obligation to transfer goods or services to a customer for which the Company has received consideration from the customer exists. If a customer pays consideration before the Company transfers goods or services, unearned revenue is recognized when the payment is made. Unearned revenue is recognized as revenue when the Company completes its performance obligation in line with its revenue recognition policy.

The Company evaluates its arrangements with third parties to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by Exro having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Exro acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Cost of sales include labor, materials and direct and indirect overhead amounts required to complete each product unit and recognized against revenue once revenue is recognized.

**(c) Inventory**

Inventories are valued at the lower of cost and net realizable value. Costs are allocated to inventory using the weighted average cost or FIFO method. The Company applies different cost formulas for raw materials based on the nature of the finished goods they are used to produce. The FIFO method is applied to raw materials incorporated in the production of faster moving finished goods ensuring older stock is used and minimizing risk of obsolescence. Conversely, the weighted average cost method is applied to raw materials that are consumed in the production of goods with slower sale cycles and longer holding periods, to smooth out fluctuations over time. The cost of work in progress inventory comprises of raw materials, direct labor, other direct costs and related overhead, allocated on the basis of normal operating capacity.

Net realizable value is based on the selling price of the finished product (in the ordinary course of business), less the estimated costs of completion and estimated costs to make a sale. A write-down is recognized if the carrying amount exceeds the net realizable value and may be reversed if the circumstances that caused it no longer exist.

**(d) Business combinations**

Business combinations are accounted for using the acquisition method. Acquired assets and assumed liabilities are recognized at their fair value at the acquisition date. For those acquisitions that include contingent consideration arrangements, the contingent consideration is measured at its acquisition date fair

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value, and subsequent changes in such fair value amounts are recognized in net income. Acquisition-related costs are recognized in net income as incurred.

If the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, Exro reports estimated amounts. These estimated amounts are adjusted retrospectively during the measurement period to reflect the new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

**(e) Property, plant and equipment**

Property, plant and equipment is carried at cost less accumulated depreciation, and less any recognized impairment losses. The cost of additions, including costs to bring the asset to its location and condition necessary to operate in the manner intended, are capitalized. Each part of a component of property, plant and equipment with a cost that is significant in relation to the total cost of the component is depreciated separately. When the cost of replacing a portion of a component of property and equipment, the carrying amount of the replaced component is derecognized.

Depreciation of assets under construction commences when the assets are ready and being utilized for their intended use. The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by adjusting the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Property, plant and equipment is recorded at cost and depreciated on a straight-line basis over its estimated useful life which has been determined as follows:

• Machinery and equipment.....	3-20 years
• Furniture and office equipment.....	3-10 years
• Right of use assets.....	Lease term

**(f) Intangible assets and goodwill**

The Company records goodwill relating to business combinations when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. The goodwill balance is assessed for impairment annually or as events occur that could result in impairment. Goodwill is tested for impairment at a CGU level by comparing the carrying amount to the recoverable amount. Any excess of the carrying amount over the recoverable amount is the impairment amount. The recoverable amount estimates is categorized as Level 3 according to the IFRS 13 fair value hierarchy. Impairment charges, which are not tax affected, are recognized in net income. Goodwill is reported at cost less any accumulated impairment.

Other intangible assets, including customer relationships, developed technology, and brand, that are acquired by the Company and have a finite useful life are measured at cost less accumulated amortization and any accumulated impairment loss.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values under the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful life of intangible assets is as follows:

• customer relationships.....	5 years
• developed technology .....	5 years

## Notes to the Consolidated Financial Statements

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- brand ..... 5 years

The Company has elected to amortize its acquired intangible assets over their estimated useful life. The amortization methods, useful lives, and residual values are reviewed at each reporting period, and adjusted if appropriate.

**(g) Impairment**

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or CGU is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and/or forecast calculations, which are prepared for the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the consolidated statement of loss and comprehensive loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss and comprehensive loss, with the exception of impairment to goodwill which is not reversed.

**(h) Discontinued Operations**

A discontinued operations is a component of the Company's business, for which the operations and cash flows can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary exclusively acquired with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale

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When an operation is classified as a discontinued operation, the comparative statement of comprehensive loss is re-presented as if the operation has been discontinued from the start of the comparative period.

**(i) Warranty Provision**

The Company generally offers warranty coverage for its products. The Company accrues warranty-related costs under standard warranty terms and for certain claims outside the contractual obligation period that it chooses to pay as accommodations to its customers.

Provisions for estimated assurance warranties are recorded at the time of sale and are periodically adjusted to reflect actual experience. The amount of warranty liability accrued reflects management's best estimate of the expected future cost of honoring Company obligations under the warranty plans. Historically, the cost of fulfilling the Company's warranty obligations has principally involved replacement parts, towing and transportation costs, labor, and sometimes travel for any field retrofit campaigns. The Company's estimates are based on historical experience.

**(j) Leases**

IFRS 16 Leases, introduced a single, on-balance sheet accounting model for leases, as a result, the Company, as a lessee, has recognized right of use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the 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 estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Lease liability' in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of properties, equipment and vehicles that have a lease term of twelve months or less. The Company has elected not to recognize right-of-use assets and lease liabilities for low value leases that have initial values of less than \$5,000. The Company recognizes the lease payments associated with these leases as an operating expense on a straight-line basis over the lease.

**(k) Financial instruments****Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless

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they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Investment	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long term debt	Amortized cost
Convertible debentures	Amortized cost
Senior secured promissory note	Amortized cost
Derivative asset	FVTPL
Liability classified warrant	FVTPL

**Measurement**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise.

**Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of comprehensive loss.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a

**Notes to the Consolidated Financial Statements****As at and for the years ended December 31, 2024 and December 31, 2023***(Expressed in Canadian dollars)*

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new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in the consolidated statement of comprehensive loss.

**(l) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments, such as guaranteed investment certificates with original maturities of three months or less. Guaranteed investment certificates are investments with Canadian banks that are the equivalent of a certificate of deposit.

**(m) Convertible debentures**

The debentures are a non-derivative financial instrument that creates a financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Company. On initial recognition, the liability component is recorded at the fair value of a similar liability that does not have a conversion option. The debt was issued with a detachable warrant, therefore the Company considered the aggregate of the debt and warrants issued at fair value, and allocated the equity amounts between warrants and the conversion feature.

Total transaction costs directly attributable to the offerings are allocated proportionately to the liability and equity components of the debentures.

Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity components are not re-measured. The carrying amounts of the liability and conversion feature of the debentures are reclassified to share capital on conversion to common shares. The carrying amount of the share purchase warrants, plus cash received upon exercise, is allocated to share capital on exercise of the share purchase warrants.

The debt contains an embedded prepayment feature, which is not closely related. The amount has been separated and accounted for in a manner similar to a standalone interest rate derivative.

**(n) Senior secured promissory note**

The promissory notes are recognized as a financial liability at fair value on initial recognition and at inception subsequently designated at fair value. The debt is classified as current or non-current based on contractual repayment terms. Interest is recognized in the consolidated statements of loss over the term of the debt.

Any modification or restructuring is assessed to determine whether it results in a substantial change in terms. Upon modification, the original liability is derecognized, and a new liability is recognized at fair value with any difference in fair value and face value accreted through the consolidated statements of loss over the term of the debt using the effective interest rate method.

The notes include an attached warrant liability that is accounted for as a separate financial instrument. The warrants contain terms that cause it to be net settled in a variable number of shares and have been classified as a financial liability that is initially and subsequently measured at fair value with changes in fair value reported in the consolidated statements of loss.

**(o) Share-based payments**

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods.

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

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

**(p) Loss per share**

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

**(q) Income taxes**

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

**(r) Government grants**

Government grants are recognized when there is reasonable assurance that the grants will be received, and all related conditions are complied with. Government assistance received in respect of expenditures are credited to income, in the same period as the expense to which they relate.

**4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES****New interpretations and amended standards adopted by the Company**

The Company adopted the following amendments during the period in accordance with applicable transitional provisions.

*IAS 1 – Presentation of Financial Statements* has been amended to clarify how to classify debt and other liabilities as either current or non-current and how the entity has the right to defer settlement of a liability arising from a loan arrangement, which contains covenants, for at least twelve months after reporting period.

## Notes to the Consolidated Financial Statements

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The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024. There was no impact on the Company's consolidated financial statements at the adoption date.

**Accounting standards issued but not adopted by the Company**

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted as follows. The Company is reviewing the new standards but does not expect their future adoption to have a material impact on Exro in the current or future reporting periods.

*IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18")*, has been issued to achieve comparability of the financial performance of similar entities. The Standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The Standard is effective for financial statements beginning on January 1, 2027, including interim financial statements and requires retrospective application. The Company is assessing the impact of this standard.

*IAS 21 – The Effects of Changes in Foreign Exchange Rates*, has been amended to address when there is a lack of exchangeability in currencies and specifies when a currency is exchangeable, and how to determine the exchange rate when it is not. This amendment is effective for annual reporting periods beginning on or after 1 January 2025. The Company does not anticipate a material impact on its financial statement from this amendment.

*IFRS 9 Financial Instruments & IFRS 7 Financial Instruments Disclosures* – have been amended to clarify the derecognition of financial liabilities settled through an electronic system and provide guidance for assessing the contractual cashflow characteristics of financial assets. The amendments also update the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add new disclosures for financial instruments with contingent features that do not relate directly to basic lending risks and costs. This amendment will be effective for annual reporting periods beginning on or after 1 January 2026. The Company is reviewing this amendment but does not expect their future adoption to have a material impact on its financial statements in future reporting periods.

**5. BUSINESS COMBINATIONS***SEA Electric Inc.*

Effective April 5, 2024, Exro acquired all of the issued and outstanding shares of SEA Electric Inc. and its operating subsidiaries ("SEA Electric") through a plan of arrangement and merger. The Company completed the transaction through the issuance of 146,453,200 common and 160,589,446 preferred shares, and the exchange of previously outstanding options and RSU's in SEA Electric for replacement awards in Exro totaling 15,457,723 RSU's and 4,085,873 Options. The total consideration exchanged was \$229,356,584, including Exro's previously held investment in SEA Electric (note 7). SEA Electric is a private global e-Mobility technology company that was founded in Australia in 2012 and since 2022 has been incorporated in the state of Delaware, United States, and is headquartered in Torrance, California. SEA's principal business is the sale of its proprietary all-electric SEA-Drive® power system technology which has been developed to provide zero-emission power to urban delivery and commercial transport fleets.

The acquisition has been accounted for by the acquisition method, and results of operations have been included in these consolidated financial statements from the date of acquisition. The goodwill acquired in this

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acquisition relates primarily to the synergies from the integration of the business acquired, the assembled workforce and non-contractual relationships that have not met the criteria for recognition as an intangible asset.

		April 5, 2024
<b>Assets acquired:</b>		
Accounts receivable	\$	1,167,240
Prepaid expense		3,229,050
Inventory		25,298,156
Property, plant and equipment		5,469,473
Intangible assets		194,469,198
Goodwill		152,810,425
<b>Total assets acquired</b>	<b>\$</b>	<b>382,443,542</b>
<b>Liabilities assumed:</b>		
Accounts payable and accrued liabilities	\$	26,037,911
Unearned revenue		6,499,086
Long term debt		137,207
Lease liability		4,537,995
Warranty Provision		1,104,852
Warrant liability		6,782,942
Deferred tax liability		24,882,213
<b>Total liabilities assumed</b>	<b>\$</b>	<b>69,982,206</b>
<b>Net assets before cash and cash equivalents</b>	<b>\$</b>	<b>312,461,336</b>
Cash and cash equivalents		685,261
Promissory note assumed		(83,790,013)
<b>Net assets acquired</b>	<b>\$</b>	<b>229,356,584</b>
<b>Consideration</b>	<b>Securities Issued</b>	<b>Consideration</b>
Common shares	146,453,200	\$ 124,485,220
Preferred shares	160,589,446	88,725,669
RSUs	15,457,723	6,607,806
Options	4,085,873	2,564,822
Prior investment in SEA Electric	—	6,973,067
<b>Total consideration</b>	<b>\$</b>	<b>229,356,584</b>

These consolidated financial statements incorporate the operating results of SEA Electric commencing on April 5, 2024. During the period from April 5, 2024 to December 31, 2024, the Company recorded \$22,767,120 in revenues and a net loss of \$245,015,438 from SEA Electric, including \$25,539,291 related to the amortization of intangible assets acquired, and \$223,215,594 related to impairment of intangibles and goodwill. Had the SEA Electric acquisition closed on January 1, 2024, management estimates that for the period from January 1, 2024 to December 31, 2024 revenue would have increased to \$28,523,034 and net loss would have increased to \$300,090,605, including estimated amortization of \$9,723,460 related to

intangible assets acquired. In determining these amounts, management assumes the fair values on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2024. The results are not necessarily indicative of the performance that would have been achieved, had the business actually combined on January 1, 2024.

The Company incurred costs related to the acquisition of SEA Electric of \$4,593,633, which have been included in transaction costs.

The Company recognized a measurement period adjustment related to the assumed lease liability and acquired property, plant and equipment of \$1,860,285, as well as an adjustment to deferred tax liabilities of \$12,183,124. The fair value of the lease liability and acquired asset were estimated to be equal, with no impact on goodwill or intangible assets. The deferred tax liability increased in conjunction with an increase in goodwill on acquisition due to the true up of deferred tax assets acquired from SEA Electric, followed by a subsequent increase in the impairment expense recognized in Q3 2024 (note 9). In addition, the Company recognized changes in working capital, which resulted in an increase in the goodwill balance acquired of \$279,824.

During the year ended December 31, 2024, the Company identified impairment indicators related to goodwill and intangible assets (note 9).

## 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

### *Revenue recognition*

The Company recognized revenue of \$23,074,027, net of rebates, through the delivery of its products during the period.

*SEA-Drive®* - this consists of sales of SEA-Drive® electric power systems. The Company recognizes revenue when the unit is delivered to the customer. The Company also installs the SEA-Drive® electric power systems into customer-owned chassis.

*Coil Driver™* - this relates to the sale and delivery of Exro's Coil Driver™ to end customers. The Company recognizes revenue when the unit is delivered to the Customer.

*Cell Driver™* - this relates to the sale and delivery of Exro's Cell Driver to end customers. The Company recognizes revenue when the unit is delivered to the Customer.

*Aftersales Products and Services* - these consist of add-on products and services occurring after the sale of the SEA-Drive electric power systems. Revenue is recognized when the Company sells parts and control of parts has been transferred, and services have been rendered to the customer.

Revenue for the year was earned from two major customers. These customers accounted for approximately 72% (2023-nil) and 21% (2023- nil) of total revenues.

Revenue previously recognized from the engineering services division has been included in income from discontinued operations (note 19).

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**Unearned revenue**

	December 31, 2024
Balance, December 31, 2023	\$ —
Unearned revenue acquired	6,481,971
Deposits received in the period	7,046,816
Revenue recognized during the period	(9,584,348)
Impact of foreign exchange	270,290
<b>Balance, December 31, 2024</b>	<b>\$ 4,214,729</b>

The Company had previously recognized unearned revenue related to its engineering services department. The operations were discontinued on June 14, 2024 (note 19), and all amounts either included in the disposition or recognized in income from discontinued operations. The Company expects that all of the amount in deferred revenue will be recognized as revenue in the next twelve months.

**7. INVESTMENT**

On February 9, 2021, the Company announced a collaboration agreement with SEA Electric Holdings Pty Ltd. ("SEA Electric"). As part of the agreement, Exro invested US\$5,000,000 in SEA Electric by subscribing for 124,380 Series A Preferred Shares at a price of US\$40.1995 per share. The shares are convertible into common shares of SEA at the option of Exro and automatically convert to common shares under certain conditions, including SEA completing a going public transaction.

On April 5, 2024 the Company completed the acquisition of SEA Electric (note 5). The investment balance was recorded at the fair value based on the consideration paid to the former shareholders of SEA, and the amount recognized as part of the consideration paid for the business. As at April 5, 2024 the fair value of shares held in SEA Electric were valued at \$56.06 CAD per share, based on Exro's closing share price on April 5, 2024 of \$0.85, for a total value of US\$5,141,810. The amount was recorded at \$6,973,067 and included in consideration for the acquisition of SEA Electric.

	December 31, 2024
Balance, December 31, 2023	\$ 8,357,423
Purchase of investment	—
Fair value gain(loss) on investment	(1,570,796)
Impact of foreign exchange	186,440
Consideration for SEA Electric acquisition	(6,973,067)
<b>Balance, December 31, 2024</b>	<b>\$ —</b>

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**8. PROPERTY PLANT AND EQUIPMENT**

		Right-of- use asset	Machinery and equipment	Furniture and office equipment	Assets under construction	Total
<b>Cost</b>						
Balance, December 31, 2023	\$	7,858,829	\$ 15,976,283	\$ 8,903,544	\$ 5,495,670	\$ 38,234,326
Acquired assets April 5, 2024		4,245,733	476,332	747,408	—	5,469,473
Additions		—	583,611	115,355	1,363,517	2,062,483
Modifications		(57,467)	—	—	—	(57,467)
Dispositions		(1,651,619)	(754,086)	(802,991)	(515,769)	(3,724,464)
Impact of foreign exchange		420,272	229,044	368,545	77,138	1,094,998
<b>Balance, December 31, 2024</b>	<b>\$</b>	<b>10,815,748</b>	<b>\$ 16,511,183</b>	<b>\$ 9,331,862</b>	<b>\$ 6,420,556</b>	<b>\$ 43,079,349</b>
<b>Accumulated Depreciation</b>						
Balance, December 31, 2023	\$	2,429,768	\$ 1,628,038	\$ 2,096,822	\$ —	\$ 6,154,628
Depreciation		1,768,027	1,703,056	1,465,535	—	4,936,618
Dispositions		(389,434)	(232,500)	(478,942)	—	(1,100,877)
Impact of foreign exchange		216,631	119,938	180,774	—	517,343
<b>Balance, December 31, 2024</b>	<b>\$</b>	<b>4,024,992</b>	<b>\$ 3,218,532</b>	<b>\$ 3,264,189</b>	<b>\$ —</b>	<b>\$ 10,507,712</b>
<b>Carrying amounts</b>						
At December 31, 2023	\$	5,429,061	\$ 14,348,245	\$ 6,806,722	\$ 5,495,670	\$ 32,079,698
<b>At December 31, 2024</b>	<b>\$</b>	<b>6,790,757</b>	<b>\$ 13,292,651</b>	<b>\$ 6,067,673</b>	<b>\$ 6,420,556</b>	<b>\$ 32,571,637</b>

The Company recorded leased assets under machinery and equipment with a cost of \$639,875 and accumulated depreciation of \$279,945.

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## 9. INTANGIBLE ASSETS AND GOODWILL

	Customer relationship	Developed technology	Brand name	Goodwill	Total
<b>Cost</b>					
Balance, December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —
Acquired assets April 5, 2024	48,569,156	134,892,172	11,007,870	152,810,425	347,279,623
Impairment	(17,490,513)	(48,576,782)	(3,964,106)	(153,184,193)	(223,215,594)
Impact of foreign exchange	1,925,584	5,347,965	436,420	373,768	8,083,737
<b>Balance, December 31, 2024</b>	<b>\$ 33,004,227</b>	<b>\$ 91,663,355</b>	<b>\$ 7,480,184</b>	<b>\$ —</b>	<b>\$ 132,147,766</b>
<b>Accumulated Amortization</b>					
Balance, December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization	6,378,500	17,715,147	1,445,644	—	25,539,291
Impact of foreign exchange	319,684	887,864	72,454	—	1,280,002
<b>Balance, December 31, 2024</b>	<b>\$ 6,698,184</b>	<b>\$ 18,603,011</b>	<b>\$ 1,518,098</b>	<b>\$ —</b>	<b>\$ 26,819,293</b>
<b>Carrying amounts</b>					
At December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —
<b>At December 31, 2024</b>	<b>\$ 26,306,043</b>	<b>\$ 73,060,344</b>	<b>\$ 5,962,086</b>	<b>\$ —</b>	<b>\$ 105,328,473</b>

**Impairment**

Intangible assets and goodwill are tested for impairment in accordance with the Company's accounting policy. Management reviews the carrying value of its intangible assets and goodwill at each reporting period for indicators of impairment. In addition, management will test the recoverable amount of goodwill annually.

The Company's CGUs are determined based on its production offerings, including Exro SEA Drive, Coil Driver, and Cell Driver. Goodwill of \$152,810,425 and intangible assets of \$194,469,198 have been allocated to the Exro SEA Drive CGU, which was acquired on April 5, 2024 through the acquisition of SEA Electric. During the year ended December 31, 2024, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, compared to the forecasts at the time of acquisition, as a result of slower adoption rates in the EV industry than originally forecasted. The Company recognizes this is an indicator of impairment, which warrants an assessment of the recoverable amount of its CGU. The indicators are directly related to the Exro SEA Drive CGU.

The recoverable amount of the Exro SEA Drive CGU was determined based on the fair value less cost of disposal ("FVLCD"). The Company estimated the recoverable amount based on the discounted cash flows to be generated from continuing operations for the Exro SEA Drive CGU. Cash flow assumptions are based on a combination of historical results and expected future results.

- Expected revenue growth, linked to production volumes
- Expected decrease in cost of production per unit
- Discount rate

Revenue growth rates for the Exro SEA Drive® are based on a forecasted production volumes with the Company's OEM customers, incorporating expected pricing and cost improvements and efficiencies over the

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Company's forecasted period, based on budgets and forecasts reviewed by the Company's Board of Directors. The expected revenue growth rates range from 160% to 24% from 2025 through 2029.

The cash flows are prepared on a five-year basis, using a discount rate of 30%. The discount rate was derived from the Company's weighted average cost of capital, adjusted for specific risk factors to the Company. Cash flows from beyond the five-year period are extrapolated using a constant growth rate of 2.0%, and an annuity period of 20 years.

A comparison of the recoverable amounts for the Exro SEA Drive CGU to the carrying value resulted in an impairment expense of \$223,215,594 (note 5). The Company recognized a write-down of goodwill of \$153,184,193, and \$70,031,401 of impairment on the intangible assets acquired. The remaining carrying value of the SEA Drive CGU was \$139,497,089 after impairment.

A sensitivity analysis on the discount rate, and expected future production, would have the following impact on the December 31, 2024 impairment:

	Decrease (Increase) in Impairment Expense December 31, 2024
10% increase in forecasted annual production	13,542,269.00
10% decrease in forecasted annual production	(15,935,793.00)
1% increase in discount rate	(4,998,883.00)
1% decrease in discount rate	5,217,291.00

Assumptions that are valid at the time of preparing the impairment test at December 31, 2024 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to its CGUs on an ongoing basis.

## 10. INVENTORY

The components of inventory are as follows:

	December 31, 2024	December 31, 2023
Raw materials	\$ 23,801,181	\$ 6,665,963
Work in progress	5,854,632	—
Finished goods	1,140,903	—
<b>Balance December 31, 2024</b>	<b>\$ 30,796,716</b>	<b>\$ 6,665,963</b>

Inventory is held at the lower of cost and net realizable value. The Company assesses its inventory valuation each period. For the year ended December 31, 2024 the Company recorded a provision against inventory of \$1,863,904 (2023-nil) to adjust inventory balances to the net realizable value, supported by the sale of the Company's products. The write-down was specific to assets directly related to the delivery of the Exro SEA Drive® and recorded in cost of sales on the statement of comprehensive loss. During the year ended December 31, 2024, the Company recognized inventories of \$25,280,052 in cost of sales.

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## 11. LEASE LIABILITY

	December 31, 2024		December 31, 2023	
Balance, beginning of period	\$	6,803,448	\$	7,291,037
Acquired		4,562,431		556,057
Lease modification		(57,475)		—
Lease payments		(2,605,422)		(1,591,523)
Interest		683,366		604,800
Disposals		(1,428,240)		—
Impact of foreign exchange		314,697		(56,923)
<b>Balance, end of period</b>	<b>\$</b>	<b>8,272,805</b>	<b>\$</b>	<b>6,803,448</b>
Consists of:				
Current lease liability	\$	2,298,260	\$	1,555,270
Non-current lease liability		5,974,545		5,248,178
<b>Balance, end of period</b>	<b>\$</b>	<b>8,272,805</b>	<b>\$</b>	<b>6,803,448</b>

The Company's lease liabilities relate primarily to leased facilities in which the Company conducts its business, including facilities for research and development activities, product manufacturing, and office space.

## 12. SENIOR SECURED PROMISSORY NOTE

On April 5, 2024, the Company assumed US\$53,446,961 (\$72,482,096) principal amount of senior secured convertible promissory notes (the "Notes") on the acquisition of SEA Electric. The Notes were converted from notes in SEA Electric, to notes in Exro. Subsequent to the one-year anniversary of the issuance of the Notes on April 5, 2025, the holder at its election, was previously able convert the Notes to common shares in Exro at a conversion rate of \$US0.89 per share, in increments of 10% of the outstanding principle balance at a time. The Notes were issued with an original maturity date of April 5, 2027, and accrued interest compounded semi-annually, at the rate of 12% per annum to be paid on the maturity date of the Notes.

On July 22, 2024 the senior secured convertible promissory notes were restructured, removing the conversion feature attached to the Notes. In addition, the Company drew additional funds on the Notes of US\$3.0 million (\$4,056,600) on July 22, 2024 and US\$2.0 million (\$2,704,400) on August 19, 2024. The Company determined that the restructuring was deemed to be an extinguishment and new issuance of the Notes for accounting purposes. The Company estimated the fair value of the restructured Notes to be US\$53,421,772 (\$72,236,920) on July 22, 2024, using a Hull-White single factor interest rate model, before any additional draws. Key assumptions included the estimated credit spread, risk free rate curve, and volatility. The difference between the principal value and accrued interest of US\$54,958,119 (\$74,314,368), as at the date of amendment, and prior to additional draws, and the fair value is accreted through the statement of profit and loss over the life of the Notes using the effective interest rate method.

Subsequent to year end, the Company executed an additional drawdown on the Notes of US\$3.0 million (\$4,331,145) on January 29, 2025, US\$2.0 million (\$2,865,040) on February 11, 2025 and US\$2.5 million (\$3,606,712) on March 12 2024 (note 1). The additional financing was obtained under the existing terms of the Notes. As a result of the drawdown, the Notes maturity is extended to March 12, 2028.

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Beginning on the first anniversary of the issuance of the Notes, the Company is entitled to redeem the debentures at 105% of the principal amount ("redemption price") thereof plus accrued and unpaid Interest at any time following December 31, 2024.

The Company also assumed a warrant liability, related to the exchange of warrants held in SEA Electric, for warrants in Exro, issuable to the holders of the Notes. A total of 13,192,842 warrants (note 5, note 14) were issued on April 5, 2024 with an exercise price of \$0.81.

The Notes previously represented a compound financial instrument, which includes a closely related conversion feature, the host debt, and the prepayment feature. As of December 22, 2024, the Notes were no longer considered a compound instrument. The table below outlines the changes in fair value, and the closing value of the Notes as at December 31, 2024:

	Senior secured promissory note	Liability classified Warrant
<b>Balance, December 31, 2023</b>	\$ —	\$ —
Fair value acquired	83,790,013	6,782,942
Additions	6,863,245	—
Accrued interest	4,999,363	—
Accretion	306,712	—
Change in fair value due to extinguishment	(11,356,485)	—
Change in fair value of warrant		(6,470,934)
Impact of foreign exchange	4,869,378	103,863
<b>Balance at December 31, 2024</b>	<b>\$ 89,472,226</b>	<b>\$ 415,871</b>

*Senior secured convertible promissory note*

On April 5, 2024 the fair value of the Notes was calculated using partial differential equations with the following assumptions: annualized volatility of 70% based average equity volatility of comparable companies discounted for the impact on convertible debentures, share price of US\$0.63, risk free rate of 5.31%, and a credit spread of 10.79%.

Subsequent to the amendment to the Notes, the Company estimated the fair value of the restructured Notes to be US\$53,421,772 (\$72,236,920) on July 22, 2024, using a Hull-White single factor interest rate model, before any additional draws. Key assumptions included the estimated credit spread, risk free rate curve, and volatility. The difference between the principal value and accrued interest of US\$54,958,119 (\$74,314,368), as at the date of amendment, and prior to additional draws, and the fair value is accreted through the statement of profit and loss over the life of the Notes.

The Company has recognized accrued and capitalized interest of \$4,999,363 on the senior secured promissory note, of which \$2,043,388 was recognized through fair value adjustments prior to the amendment to the debt terms on July 22, 2024, and \$2,955,975 subsequent to the amendment.

*Liability classified warrant*

The fair value of the liability classified warrants is calculated using a binomial option pricing model, using the following assumptions: share price of \$0.85, risk free rate of 3.63%, and annualized volatility of 80%. The amount is recorded at the fair value on acquisition and adjusted to fair value each period. The Company subsequently remeasured the fair value of the liability classified warrants to be \$415,871 on December 31, 2024, and recognized a fair value gain of \$6,470,934.

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The liability classified warrant may be converted to common shares at the option of the holder within the next year, as such meets the definition of a current liability, reflecting the Company's obligation to deliver a variable number of shares.

**13. CONVERTIBLE DEBENTURES**

During the year ended December 31, 2024, the Company recognized a change in the derivative asset of \$1,197,127, based on changes to valuation inputs, including changes in time to maturity, share price, and the risk free rate compared to December 31, 2023. The below table summarizes the change in number of convertible debentures outstanding and the liability component of convertible debentures.

	Number of convertible debentures	Liability component	Equity component	Equity warrant	Derivative asset
Balance at December 31, 2023	14,950	\$ 12,089,076	\$ 991,295	\$ 3,477,569	\$ 1,217,346
Accretion		659,307	—	—	—
Change in fair value of derivative asset		—	—	—	(1,197,127)
Balance at December 31, 2024	14,950	\$ 12,748,383	\$ 991,295	\$ 3,477,569	\$ 20,219

The Company settled interest expense of \$1,794,000 on the outstanding convertible debentures for the year ended December 31, 2024, which it settled through the issuance of shares on June 30, 2024 and December 31, 2024 (note 14).

**14. SHARE CAPITAL****(a) Authorized common shares**

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

**(b) Preferred shares**

There are an unlimited number of preferred shares authorized for issue.

On April 5, 2024 the Company issued 160,589,446 preferred shares in connection with the acquisition of SEA Electric. The preferred shares are non-voting; however, will share is the same rights as common shareholders on any dividends declared.

The preferred shares are convertible into common shares through delivery of a declaration confirming the underlying common shares will be sold through facilities of a stock exchange, or alternative trading system,

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in one or more transactions which are not prearranged with any non-arm's length acquirer. Additionally, the preferred shares will be automatically converted into common shares on the following conditions:

- After 5 years from the issuance date of the preferred shares;
- If less than 20% of the preferred shares originally issued remain outstanding or 66% converted are converted; or
- A person other than a permitted holder acquires more than 50% of the issued and outstanding common shares

The preferred shares may be held by a permitted holder, defined as (a) a stockholder of SEA Electric Inc. immediately prior to the closing of the acquisition, and (b) any person any person controlled, directly or indirectly, by one or more of the person described in bullet (a).

**(c) Issued and outstanding**

At December 31, 2024, the Company had 540,802,464 common shares issued and outstanding, and 57,746,424 preferred shares outstanding.

During the year ended December 31, 2024, the Company:

- Issued 146,453,200 common shares for the acquisition of SEA Electric (note 5)
- Issued 160,589,446 preferred shares for the acquisition of SEA Electric (note 5)
- Issued 31,600,000 common shares at a price of \$0.95 on April 5, 2024 for aggregate gross proceeds of \$30,020,000
- Issued 1,794,000 common shares at a price of \$0.50 for the settlement of interest payments of \$897,000 due on June 30, 2024 in connection with its convertible debenture
- Issued 71,429,000 common shares at a price of \$0.35 on September 13, 2024 for aggregate gross proceeds of \$25,000,150
- Issued an additional 3,571,450 common shares at a price of \$0.31 on September 13, 2024 in relation to a finders fee in connection with the public offering
- Issued 6,407,140 common shares at a price of \$0.14, for the settlement of interest payments of \$897,000 due on December 31, 2024 in connection with its convertible debenture
- Issued 300,000 common shares on the exercise of stock options for total proceeds of \$91,000.
- Issued 500 common shares on the exercise of Warrants
- Issued 3,145,609 common shares on the exercise of RSUs
- Issued 3,236,725 preferred shares on the exercise of RSUs
- Issued 106,079,747 common shares on the conversion of 106,079,747 preferred shares to common shares

During the year ended December 31, 2023, the Company:

- On May 30, 2023 the Company issued 15,525,000 common shares at a price of \$2.25 per common share for aggregate gross proceeds to the Company of \$34,931,250
- Issued 5,448,436 shares on the exercise of warrants for total proceeds of \$7,701,540

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

- Issued 973,790 shares on the exercise of options for total proceeds of \$705,848
- Issued 117,452 shares on the exercise of RSUs for nil proceeds
- Issued 1,102,077 common shares for the settlement of interest payments of \$1,796,993 in connection with its convertible debenture

**(d) Stock based compensation**

The Company's long term incentive plan, 'Exro Omnibus Long-Term Incentive Plan' provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and consultants of the Company, Restricted Share Units ("RSU"), Performance Share Units ("PSU"), Director Share Units ("DSU"), or Stock Options. The long-term incentive plan is a 10% rolling plan.

Under the incentive plan, the maximum number of common shares that may be granted in favor of any single individual will not exceed 10% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be granted in favor of directors and senior officers under the long-term incentive is 10% of the issued and outstanding common shares at the date of grant.

During the years ended December 31, 2024 and 2023 the Company recorded share-based payments of \$2,543,749 and \$4,583,201 respectively. For the period ended December 31, 2024 \$37,428 of share-based payment expense was allocated to research and development (2023 - \$666,737).

	December 31, 2024	December 31, 2023
Stock based awards	\$ 2,506,321	\$ 3,916,464
Research & development	37,428	666,737
<b>Balance December 31, 2024</b>	<b>\$ 2,543,749</b>	<b>\$ 4,583,201</b>

**i. Stock options**

The fair values of share options granted were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	December 31, 2024	December 31, 2023
Risk-free interest rate	3.98%	3.46%
Estimated annualized volatility	60.00%	94.43%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Exercise price	\$0.83	\$2.18
Share price	\$0.85	\$2.18
Fair value	\$0.63	\$1.60

The expected volatility is determined using the historical volatility of the Company's share price.

During the year ended December 31, 2024 the Company issued 4,085,873 stock options in connection with the acquisition of SEA Electric (note 5). The options issued were a replacement for previous options outstanding in SEA Electric, and were fully vested at the time of acquisition, as such the full value of the

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

options was included in the purchase price consideration. The options issued in connection with the acquisition of SEA Electric are redeemable in a combination of 2,136,993 preferred shares and 1,948,880 common shares.

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2023	10,543,607	\$2.14
Granted	4,085,873	\$0.83
Exercised	(300,000)	\$0.30
Forfeited	(2,898,490)	\$2.24
Balance, December 31, 2024	11,430,990	\$1.69

The weighted average share price (at the date of exercise) of options exercised during the year ended December 31, 2024 was \$0.65.

The following table summarizes information about the Company's share options outstanding as at December 31, 2024:

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
March 9, 2025	\$0.38	201,667	201,667
August 31, 2025	\$1.00	702,550	702,550
October 13, 2025	\$3.15	1,375,000	1,375,000
January 13, 2026	\$3.93	321,500	321,500
April 6, 2026	\$4.77	840,000	840,000
June 8, 2026	\$0.83	4,085,873	4,085,873
June 28, 2026	\$3.93	210,000	210,000
September 20, 2026	\$2.96	330,000	330,000
November 22, 2026	\$3.75	50,000	50,000
April 12, 2027	\$1.47	552,100	552,100
September 2, 2027	\$1.05	160,550	160,550
November 17, 2027	\$1.44	100,000	100,000
March 10, 2028	\$2.51	371,000	371,000
May 31, 2028	\$2.12	1,326,250	1,326,250
July 4, 2028	\$2.15	804,500	741,800
Total		11,430,990	11,368,290

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

## ii. Warrants

	December 31, 2024
Risk-free interest rate	2.85%
Estimated annualized volatility	81.90%
Expected life	3 years
Expected dividend yield	0%
Exercise price	\$0.31
Share price	\$0.35
Fair value	\$0.16

During the year ended December 31, 2024 the Company issued 13,192,842 warrants at an exercise price of \$0.81 in conjunction with the acquisition of SEA Electric (note 12). The warrants are liability classified as a result of the ability to net exercise the awards at the option of the holder, resulting in a variable number of shares that could be issued. The fair value of the warrants as at April 5, 2024 is included in the liabilities assumed on the close of the acquisition, and the change in fair value period over period is recognized in the consolidated statement of comprehensive loss.

The Company further issued a total of 37,500,225 warrants in connection with the public offering, at an exercise price of \$0.42. The warrants are listed on the TSX, with a trading value of \$0.15 on September 13, 2024.

The Company issued an additional 2,857,160 broker warrants, equal to 4% of the shares issued in connection with the public offering closed on September 13, 2024, with an exercise price of \$0.35. That warrants were valued using a black-scholes model based on the inputs provided above.

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2023	16,355,283	\$2.00
Granted	53,550,227	\$0.51
Exercised	(500)	\$0.42
Balance, December 31, 2024	69,905,010	\$1.47

The following table summarizes information about the Company's warrants outstanding as at December 31, 2024 and December 31, 2023:

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

Date of Expiry	Exercise Price	December 31, 2024	December 31, 2023
February 4, 2025	\$ 2.00	6,191,225	6,191,225
February 4, 2025	\$ 1.60	90,911	90,911
September 1, 2026	\$ 1.36	3,029,390	3,029,390
September 20, 2026	\$ 1.36	803,757	803,757
September 13, 2027	\$ 0.35	2,857,160	-
September 13, 2027	\$ 0.42	37,499,725	-
December 30, 2027	\$ 2.40	6,240,000	6,240,000
April 5, 2029	\$ 0.81	13,192,842	-
<b>Total</b>		<b>69,905,010</b>	<b>16,355,283</b>

Subsequent to year end, 6,282,136 warrants originally issued on February 4, 2022, expired unexercised on February 4, 2025.

## iii. Performance share units

PSU transactions and the number of units outstanding are summarized below:

	Number of Units
Balance, December 31, 2023	754,375
Forfeited	(91,250)
Expired	(265,250)
<b>Balance, December 31, 2024</b>	<b>397,875</b>

The Company issued nil PSU's during the year ended December 31, 2024. The outstanding units vest subject to the Company meeting certain revenue targets. The Company, at its discretion, may settle the award value of vested PSUs in common shares or cash. For the year-ending December 31, 2024, 265,250 PSUs were tied to performance criteria for the trailing twelve month period, which was not met. The PSUs expired during the year-ended December 31, 2024.

The following table summarizes information about the Company's PSU's outstanding as at December 31, 2024:

Date of Expiry	Number of Units Outstanding	Number of Units Exercisable
December 31, 2026	397,875	—
<b>Total</b>	<b>397,875</b>	<b>—</b>

## iv. Restricted share units

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

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

	Number of Units
Balance, December 31, 2023	244,810
Granted	15,457,723
Exercised	(6,382,333)
Forfeited	(4,463,850)
<b>Balance, December 31, 2024</b>	<b>4,856,351</b>

The Company issued 15,457,723 RSUs during the year ended December 31, 2024. The Company, at its discretion, may settle the award value of vested RSU's in common shares or cash.

During the year ended December 31, 2024, the Company settled 6,382,334 RSUs for a combination of 3,145,609 common shares and 3,236,725 preferred shares.

The awards have been valued at the pre-combination fair value and post-combination fair value. The pre-combination fair value that would have been previously expensed was included in the purchase price consideration, while the post-combination fair value will be expensed as share based payments over the remaining vesting period.

The following table summarizes information about the Company's RSU's outstanding as at December 31, 2024:

Grant Date	Number of Units Outstanding	Number of Units Exercisable
October 17, 2023	51,000	49,500
April 5, 2024	4,805,351	2,641,022
<b>Total</b>	<b>4,856,351</b>	<b>2,690,522</b>

The 15,457,723 awards were issued on April 5, 2024 in connection with the acquisition of SEA Electric. The awards are settled in a combination of preferred shares and common shares. The awards issued are subject to certain lock up provisions, as such no awards issued through the acquisition are exercisable until October 2, 2024. Subsequent to the year end, awards were settled as disclosed in note 25.

The total outstanding awards on exercise would result in the issuance of 2,343,053 preferred shares and 2,513,297 common shares.

**(e) Loss per share**

For the year ended December 31, 2024, loss per share includes weighted average common shares of 343,529,104 and weighted average preferred shares of 100,594,720. The preferred and common shares share in the same distribution rights.

Earnings per share from discontinued operations was nil for the year ended December 31, 2024.

For the year ended December 31, 2024, 12,868,290 options, 69,905,010 warrants and 2,641,022 RSU's were exercisable and excluded from the calculation of diluted loss per share as the impact was anti-dilutive (December 31, 2023 - 9,116,701 options and 16,355,283 warrants and nil RSU's were exercisable and excluded from the calculation). An additional 6,229,217 of shares issuable on the conversion of the debentures were excluded from the calculation of diluted loss per share for the year ended December 31, 2024.

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

Semi-annual interest payments on the convertible debentures (note 12) may be settled through the issuance of common shares at the Company's option. Such share issuance that may occur in future periods have been excluded from the calculation of diluted loss as the impact was anti-dilutive.

**15. FINANCIAL INSTRUMENTS****(a) Fair value**

At December 31, 2024 and December 31, 2023, the carrying values of cash and cash equivalents, accounts-receivable, accounts payable and accrued liabilities and other payables approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

The Company uses a fair value hierarchy to reflect the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are as follows:

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

The following table outlines the fair value hierarchy of the Company's financial instruments that are measured at fair value:

Instrument	Fair value hierarchy
Derivative asset	Level 2
Liability classified warrant	Level 2

**(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 December 31, 2024, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents and accounts receivable. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure.

The Company applies the simplified approach under IFRS 9 and calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, including risks associated with reaching commercialization and achieving revenue. To secure the additional capital necessary to pursue its plans, the Company intends to raise additional funds through equity or debt financing (note 1).

As at December 31, 2024, the Company had cash of \$2,258,875 and accounts payable of \$32,054,200 and accrued liabilities and other payables of \$4,753,849 due within one year.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash. Subsequent to the close of the acquisition of SEA Electric on April 5, 2024 (note 5), no change of control event occurred. The debentures have a maturity date of December 31, 2027.

The Company holds senior secured promissory notes, with a face value plus accrued interest of US\$63,530,599 (\$91,369,707) due on March 12, 2028. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date. The following are the contractual maturities of financial liabilities

	1 Year	2-5 Years	More than 5 years	Total
Leases	2,609,627	6,940,186	374,774	9,924,586
AP & Accrued Liabilities	36,808,049	—	—	36,808,049
Promissory note	—	89,472,226	—	89,472,226
Convertible debt	—	12,748,383	—	12,748,383
<b>Total</b>	<b>39,417,676</b>	<b>109,160,795</b>	<b>374,774</b>	<b>148,953,244</b>

**Market risk**

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

**Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At December 31, 2024, the Company had the equivalent of \$93,424,619 of net financial liabilities denominated in US dollars, \$1,194,869 of net financial liabilities denominated in Euros, and \$2,272,303 of net financial liabilities denominated in Australian Dollars.

The sensitivity of profit or loss to changes in exchange rate arises primarily from US dollar denominated financial liabilities. A one percent strengthening or weakening of the US dollar against the Canadian dollar as at December 31, 2024 would have had the following impact on the consolidated statement of comprehensive loss

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

	<i>Impact on consolidated statement of comprehensive loss</i>
USD/CAD exchange rate- increase 1%	649,594
USD/CAD exchange rate- decrease 1%	(649,594)

**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's exposure arises from changes in trade policies in regions where it operates, which can induce increased market volatility and result in fluctuations in the pricing of financial instruments.

**16. 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 delivery of its products, along with the acquisition and development of 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 deliver on its existing customer contracts, carry out planned development and pay for administrative costs, the Company will spend its existing working and raise additional funds. Management reviews its capital management approach on an ongoing basis taking into account economic conditions, risks that impact the operations, and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may issue new equity instruments or raise additional debt financing.

**17. ACCOUNTS RECEIVABLE**

The following table summarizes the Company's components of accounts receivable:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Trade receivable	\$ 1,711,750	\$ 875,019
Other receivables	133,490	3,358,653
Allowance for doubtful accounts	(124,712)	—
	<b>\$ 1,720,528</b>	<b>\$ 4,233,672</b>

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

**18. RESEARCH AND DEVELOPMENT**

Costs incurred for research and development activities include materials, supplies and software expenses in order to complete testing over the Company's products. Additionally, the Company allocates payroll and consulting fees, and share-based payment expenses to research and development based on the time attributable to related activities.

The following table summarizes the Company's components of research and development expense:

	December 31, 2024	December 31, 2023
Research and development	\$ 3,259,068	\$ 5,061,155
Payroll and consulting fees	5,622,250	6,060,202
Share-based payments	37,428	666,737
	\$ 8,918,746	\$ 11,788,094

**19. DISCONTINUED OPERATIONS**

On June 14, 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc. entity for consideration of \$304,872. This resulted in discontinuing the operations and engineering services provided by Exro Vehicle Systems Inc. Exro Vehicle Systems Inc. represents a separate major line of business within the Company, therefore, its results have been classified as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

**(a) Results from discontinued operation**

The following table summarizes the Company's financial results from discontinued operations:

	For the years ended December 31,	
	2024	2023
Revenue	\$ 2,332,098	\$ 5,736,140
Cost of sales	1,549,468	3,203,735
<b>Gross Profit</b>	<b>\$ 782,630</b>	<b>\$ 2,532,405</b>
<b>EXPENSES</b>		
Research and development	484,809	1,048,798
Selling, general and administration	424,863	731,486
Depreciation expense	269,360	379,666
Interest expense	57,201	132,083
<b>TOTAL EXPENSES</b>	<b>\$ (1,236,232)</b>	<b>\$ (2,292,033)</b>
Other income	136,870	172,032
Loss on disposal of assets	(1,037,403)	(323,442)
Foreign exchange loss	(11,369)	(3,547)
<b>NET INCOME(LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>\$ (1,365,504)</b>	<b>\$ 85,415</b>

## Notes to the Consolidated Financial Statements

As at and for years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

**(b) Cash flows from (used in) discontinued operation**

	For the years ended December 31,	
	2024	2023
Cash provided by (used in):		
Cash flows from operating activities	\$ (567,258)	\$ (187,146)
Cash flows from (used in) investing activities	183,958	(191,517)
Cash flows from (used in) financing activities	(46,136)	364,199
Impact of foreign currency translation	283,575	2,910
<b>Net cash flow for the period</b>	<b>\$ (145,861)</b>	<b>\$ (11,554)</b>

**20. GOVERNMENT GRANTS**

Included in other income is \$2,502,677 (2023 - nil) received as government grants in respect of research and development expenses. The grant is solely intended to compensate for costs related to research and development projects and there are no unfulfilled conditions or contingencies attached to the grant. The Company did not benefit from any other forms of government assistance during the year.

**21. EXPENSES BY NATURE**

Additional information on the nature of expenses is as follows:

	December 31 2024	December 31, 2023
Payroll and consulting	\$ 31,721,162	\$ 15,562,210
Depreciation and amortization	30,150,240	2,745,835
Materials cost	25,280,052	—
Selling, general and administration	14,913,478	10,152,263
Research and development	8,918,746	11,788,094
Interest expense	8,459,495	2,332,894
Transaction costs	4,593,633	—
Share based payments	2,506,321	3,916,464
Inventory provision	1,863,904	—
Warranty expense	573,777	—
Gain on disposal of assets	(5,103)	(216,825)
<b>Total expenses</b>	<b>\$ 128,975,705</b>	<b>\$ 46,280,935</b>

**22. RELATED PARTY TRANSACTIONS****Key Management Compensation**

Key management personnel consist of officers and directors of the Company who are responsible for planning, directing and controlling the activities of the Company. The following table summarizes key

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

management compensation, including compensation paid to companies that are controlled by the officers and directors:

	December 31, 2024	December 31, 2023
Payroll and consulting fees	4,032,973	4,184,323
Share based payments	529,427	3,534,082
<b>Total</b>	<b>\$ 4,562,400</b>	<b>\$ 7,718,405</b>

**23. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 23.0% to income before income taxes. The reasons for the differences are as follows:

	December 31, 2024	December 31, 2023
Net loss before tax for the year	\$ (313,876,274)	\$ (50,623,170)
Statutory tax rate	23.0%	23.0%
Expected income tax recovery	(72,191,543)	(11,643,329)
Items not deductible for tax purposes	43,987,824	1,333,41
Impact of foreign taxes	35,908,038	(251,725)
Adjustments in respect of prior years	641,524	19,137
Change in unrecognized tax assets	16,597,231	10,542,50
<b>Income tax recovery</b>	<b>\$ 24,943,074</b>	<b>\$ —</b>

## Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024 and December 31, 2023

(Expressed in Canadian dollars)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities for the year-ended December 31, 2024 and December 31, 2023 are presented below:

	December 31, 2023	Recognized on acquisition	Recognized in earnings	December 31, 2024
Deferred tax assets:				
Non-capital losses	\$ 25,888,426	\$ 25,973,353	\$ 34,830,285	\$ 86,692,064
Lease liability	1,619,347	—	(604,393)	1,014,954
Warranty provision	—	—	440,939	440,939
Promissory note	—	2,600,821	(1,421,491)	1,179,330
Long-term debt	2,300	—	(2,300)	—
Inventory	—	—	547,729	547,729
Research and Development	—	—	252,196	252,196
<b>Total deferred tax asset</b>	<b>\$ 27,510,073</b>	<b>\$ 28,574,174</b>	<b>\$ 34,042,964</b>	<b>\$ 90,127,212</b>
Deferred tax liabilities:				
Property, plant, and equipment	\$ 3,256,738	\$ —	\$ 679,419	\$ 3,936,157
Intangibles	—	53,456,388	(23,981,689)	29,474,698
Liability classified warrant	—	—	1,464,426	1,464,426
Convertible debenture	938,002	—	(426,980)	511,022
Investment	220,839	—	(220,839)	—
<b>Total deferred tax liability</b>	<b>\$ 4,415,579</b>	<b>\$ 53,456,388</b>	<b>\$ (22,485,663)</b>	<b>\$ 35,386,303</b>
<b>Valuation allowance</b>	<b>\$ 23,094,494</b>		<b>\$ 31,646,414</b>	<b>\$ 54,740,908</b>
<b>Net deferred tax asset (liability)</b>	<b>\$ —</b>	<b>\$ (24,882,213)</b>	<b>\$ 24,882,213</b>	<b>\$ —</b>

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

	December 31, 2024	December 31, 2023
Non-capital losses	\$ 519,130,746	\$ 138,716,954
US deductible stock options	6,719,746	6,719,746
Share issue cost	12,235,874	5,238,410
SR&ED pool	13,847,850	9,511,043
ITC pool	1,936,607	1,936,607
Capital loss carry-forward	69,543	69,543
Interest expense carry-forward	12,414,780	—
	<b>\$ 566,355,146</b>	<b>\$ 162,192,303</b>

The Company has incurred non-capital losses in Canada of approximately \$116,827,512 for the year-ended December 31, 2024 (December 31, 2023 - \$70,354,816) that may be carried forward and used to reduce taxable income which will expire in the years 2026 – 2043. The Company incurred additional non-capital

losses in the United States of \$190,323,087 for the year-ended December 31, 2024 (December 31, 2023 - \$24,728,066) that may be carried forward indefinitely and applied against taxable income but are subject to certain utilization restrictions. In addition, the Company incurred State non-capital losses of \$177,099,660 for the year ended December 31, 2024 (December 31, 2023 – \$26,158,580). The Company also incurred additional non-capital losses in Australia of \$34,880,487 for the year-ended December 31, 2024 (December 31, 2023 – nil).

## 24. COMMITMENTS AND CONTINGENCIES

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business.

The Company's CEO and board chair have been named as defendants in a threatened securities class action suit claiming damages for alleged misrepresentations by the Company in connection with its acquisition of Sea Electric during the year. The Company disputes the allegations contained in the claim and intends to defend the claim vigorously.

Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

## 25. SUBSEQUENT EVENTS

### I. Grants and settlements of stock awards

Subsequent to year end, the Company issued a total of 40,907,028 stock options to employees, directors and executives of the Company at an exercise price between \$0.095 and \$0.10. The vesting term for the options granted are as follows:

- 16,602,458 options vest on grant date
- Remainder 24,304,570 options vest 20% annually for the next 4 years

Additionally, 252,500 options with grant dates between March 9, 2020, and March 10, 2023, expired unexercised, while 1,200 options were forfeited.

The Company also issued 100,000 RSUs of which 25% will vest one year from grant date and 1/48<sup>th</sup> of the remainder vest each month for the following 3 years.

The Company settled 2,847,148 RSUs for a combination of 1,358,031 common shares and 1,489,117 preferred shares, and 7,352,759 preferred shares were converted into common shares.

### II. Tariffs and trade policies

Effective March 4, 2025, through an executive order signed by the United States President on February 1, 2025, the United States imposed tariffs on imports from a number of countries, including 25% tariffs on all goods from Canada and 10% tariffs on Canadian energy imports. The Government of Canada, other nations, and sub-national governments announced or threatened certain retaliatory measures, including counter tariffs. On March 6, 2025, President Trump amended the Executive Order to exempt goods originating from Canada and Mexico that are covered under the 2020 USMCA trade pact until April 2, 2025.

On March 12, 2025, the United States started applying a 25% tariff on imports of steel and aluminum products from all countries, including Canada. The impact of tariffs or other measures, once implemented, is subject to

**Notes to the Consolidated Financial Statements****As at and for the years ended December 31, 2024 and December 31, 2023***(Expressed in Canadian dollars)*

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a number of factors, including the duration of such tariffs or measures, changes in the amount, scope and nature of the tariffs or measures in the future, any further countermeasures that may be taken (which could increase the cost or availability of materials for Exro or its clients), and any mitigating actions that may become available. The introduction of tariffs or non-tariff measures could cause some volatility for the Company and some purchased materials could be impacted, through price increases and/or reduced availability. Efforts would be made to mitigate these impacts by purchasing from alternative sources or by passing these escalated costs on to clients. Additionally, some clients could be impacted by tariffs or non-tariff measures, resulting in less spending by customers. Higher raw material costs brought about by tariffs or other measures, or delayed or cancelled projects could have a material adverse effect on the Company's future earnings and financial position.

THIS IS EXHIBIT "N" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.

A handwritten signature in black ink, appearing to read 'Sage Nematollahi', is written over a horizontal line.

SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("Exro" or the "Company") during the three and six months ended June 30, 2025, 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 the period ended June 30, 2025, and the December 31, 2024 audited consolidated financial statements and MD&A, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). This MD&A complements and supplements but does not form part of the Company's consolidated financial statements.

This MD&A contains forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language. 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 14, 2025.

**BUSINESS OVERVIEW**

Exro Technologies Inc. is a clean technology company focused on developing next-generation power-control electronics that expand the capabilities of electric motors and batteries. The Company's innovative motor control and electric propulsion technologies, Coil Driver™ and SEA-Drive® are designed to bridge the performance-cost gap in e-mobility; its patented battery control technology, Cell Driver™, supports stationary energy storage for commercial and industrial applications. Together, these solutions are aimed at accelerating the transition to a circular electrified economy by delivering maximum performance with minimal energy consumption.

Exro's patented technologies enable cost-effective and efficient systems for e-mobility and energy storage. This approach equips the Company to accelerate the development of its partners' commercial trucks and passenger vehicles, so they are affordable to perform to real-world requirements, and are easy to scale.

Exro has developed its disruptive technology through multiple years of research and development ("R&D"), automotive certification and manufacturing experience, and on-road validations with multiple partnerships and efforts have culminated in progress marked by product deliveries to OEMs.

**BUSINESS PERFORMANCE AND STRATEGIC PROGRESS**

Macroeconomic headwinds, including tariffs, have contributed to a broad slowdown across the automotive sector, affecting both internal combustion and electric vehicle programs. Despite the economic pressures, on May 16, 2025, the Company announced it had received a funding commitment of up to US\$30 million in debt financing, expected to be drawn in US\$2.0 million tranches subject to meeting certain milestones set out by the lender. As part of the agreement, Exro has entered into a strategic review process aimed at repositioning the Company, which includes evaluating a range of outcomes such as strategic partnerships, capital restructuring, M&A opportunities, and other corporate transactions.

The Company remains focused on meeting the milestones required under the loan facility and continues to progress through the strategic review process. As of June 30, 2025 the Company has completed the below milestones, and successfully drawn US\$10.0 million against the facility as of August 14, 2025.

- Approved operating budget, acceptable to the lender and strategic advisor, through the course of 2025
- Engaged a financial advisor to assist in evaluating strategic partnerships, M&A opportunities, and capital restructuring, or other corporate transactions
- Consent provided by the holders of convertible debentures to the postponement of security in favor of the loan facility
- Continued execution of its operating plan, as approved by the strategic advisor and lender

The Company is continuing active discussions with its financial advisor and strategic advisor as it pertains to engagement with credible strategic partners. The Company is actively evaluating the outcomes including strategic partnerships, capital restructuring, and M&A opportunities, along with other corporate transactions, with the support of its strategic advisor.



Consistent with the Company's focus on decreasing operational expenditures, and in tandem with the ongoing strategic review process, the Company disposed of its Australian and New Zealand operations ("APAC Operations") through a voluntary administration process. The process saw the Company dispose of the assets related to the APAC Operations, while maintaining its rights to intellectual property ("IP") and its operational subsidiaries, and reducing the liabilities generated from the APAC Operations. To maintain the IP and assets and liabilities of the subsidiaries of the APAC Operations, the Company provided consideration of \$41.7 million through the forgiveness of \$41.3 million in net intercompany receivables from the APAC Operations, and \$0.4 million of cash consideration (AUD \$420,000). Through the disposition, the Company realized a gain on the disposition of assets and liabilities of \$2.7 million in the period. The Company has incurred restructuring expenses of \$3.0 million in the second quarter of 2025 related to the wind down of APAC Operations and the strategic review process.

#### COMMERCIAL AND FINANCIAL HIGHLIGHTS

- Quarterly revenue of \$2.9 million from unit deliveries and Aftersales services
- Execution of Asia-Pacific ("APAC") restructuring and wind down of operations as previously announced, resulting in the discontinuation of operations and services in the region.
- Secured financing from an existing lender and obtained access to up to USD \$30 million subject to achievement of specific milestones.
- Technology Expansion: Commenced integration of its proprietary technology into a commercial vehicle platform with an NDA partner, strengthening Exro's position with key OEM partners.
- Cost Optimization: Reduced spending across SGA and payroll expenses through targeted discretionary spending cuts and a streamlined workforce, contributing to enhanced operational efficiency.

#### FINANCIAL PERFORMANCE OVERVIEW

Revenue for the six months ended June 30, 2025 totaled \$7.0 million, driven by the delivery of 41 e-propulsion units to customers, compared to revenue of \$4.8 million for the six months ended June 30, 2024, and delivery of 36 e-propulsion units. The six month revenue increased by 47% period over period, which was driven by an increase in unit deliveries and a higher sale price for the propulsion units delivered in the period. For the three months ended June 2025, the Company delivered 18 e-propulsion units for total revenue of \$2.9 million compared to the delivery of 36 units for the three months ended June 2024 and revenue of \$4.7 million, reflecting a decrease in units delivered and a decrease in revenue of 38%.

Gross profit, excluding amortization, was negative \$12.8 million for the six months ended June 30, 2025, primarily attributable to \$11.0 million in inventory provisions recorded during the period, compared to negative \$2.9 million for the six months ended June 30, 2024. The Company identified the provision against inventory related to the negative gross profit realized on sales of certain e-propulsion units resulting in a reduction in the net realizable value of inventory on hand, as well as further provisions against excess and obsolete inventory identified through the strategic review process. Gross profit excluding inventory provisions was negative \$1.9 million compared to negative \$2.9 million in the comparative period, reflecting an increase in the sales price of the Company's e-propulsion units and continued improvements on the cost out efforts of the Company's bill of materials ("BoM").

Net loss from continuing operations for the six months ended June 30, 2025 was \$103.3 million, compared to \$35.7 million for the six months ended June 30, 2024. The net loss is primarily driven by impairment expense of \$48.5 million recognized on intangible assets during the period, and an inventory provision related primarily to excess and obsolete inventory of \$11.0 million. Additionally, non-cash charges related to depreciation and amortization of \$14.2 million, and \$6.7 million of interest expense on the outstanding promissory notes and convertible debentures, contributed to the net loss.

As a result of the slowdown in the electric vehicle market and pull back in forecasted production volumes, coupled with the Company's disposition of the APAC Operations, and subsequent retention on the operational assets and subsidiaries, the Company identified indicators of impairment directly related to its intangible assets consisting of developed technology, brand and customer relationships. The Company recorded an impairment expense of \$48.5 million, resulting in an estimated fair value intangible assets of \$41.4 million as of June 30, 2025, which was reflective of the fair value of consideration paid in excess of the net liabilities related to the subsidiaries retained through the voluntary administration process.

Further, the Company recorded a provision against inventory of \$11.0 million, consisting of excess and obsolete inventory as well as provisions for net realizable value as a result of negative gross profit realized. The Company determined excess inventory relating to



quantities on hand, which were greater than the near-term forecasted production, and obsolete inventory was identified as the Company progresses through its strategic review process, including assessing factors such as the age of inventory, previous consumption, and expected alternative uses.

Exro continues to implement disciplined cash management practices, although liquidity remains constrained. As of June 30, 2025, the Company held cash and cash equivalents of \$3.6million, with a working capital deficit of \$20.8 million. Additional financing will be required over the next twelve months to fund operating activities and strategic initiatives.

## RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

### Selected quarterly financial data

	Quarter Ended	Revenue from continuing operations (\$'s)	Net Loss (\$'s)	Basic and diluted loss per common and preferred share (\$'s)	Weighted average number of common and preferred shares
Q2	June 30, 2025	2,904,485	(78,912,892)	(0.13)	601,488,224
Q1	March 31, 2025	4,440,784	(23,539,805)	(0.04)	600,771,211
Q4	December 31, 2024	6,740,335	(24,336,858)	(0.04)	589,246,680
Q3	September 30, 2024	10,975,605	(225,948,223)	(0.43)	524,534,634
Q2	June 30, 2024	5,270,259	(25,207,109)	(0.05)	490,157,725
Q1	March 31, 2024	87,828	(12,867,234)	(0.08)	170,077,862
Q4	December 31, 2023	—	(18,769,546)	(0.11)	169,405,378
Q3	September 30, 2023	—	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	—	(12,995,906)	(0.08)	158,685,036

Revenue for the three months ending June 30, 2025 of \$2,904,485 generated from the delivery of the Company's proprietary SEA Drive® and provision of Aftersales services.

The Company incurred net loss from continuing operations for the three months ended June 30, 2025, of \$81,713,475, compared to a net loss from continuing operations of \$22,805,476 for the three months ended June 30, 2024. The increase in net loss is primarily attributable to non-cash costs including \$48,497,784 impairment of intangible assets as well as depreciation and amortization of \$6,997,976 in the period. Additionally, interest expense of \$2,999,999, including \$2,140,696 accrued on the senior secured promissory notes and \$448,500 on the convertible debt were recognized, contributing to net loss for the period. The intangible assets and promissory note debt were acquired during the SEA Electric merger in the prior period.

The company also incurred higher expenses associated with restructuring activities, including costs related to the ongoing strategic review process as well as the restructuring of its APAC operations. These expenses amounted to \$2,979,990 and are expected to be non-recurring.

During the quarter, the company discontinued its APAC operations following the strategic wind down previously announced at the end of the first quarter to enable focus on core markets. The assets and liabilities of the business unit not expected to be recovered or settled were derecognized, resulting in a net loss on disposal from discontinued operations of \$2,787,321. Revenue from discontinued operations for the three and six months ended June 30, 2025 was \$10,597 and \$379,126 respectively.



**For the three months ended June 30, 2025, compared to the three months ended June 30, 2024**

**Revenue and gross profit from continuing operations**

	For the three months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Revenue	\$ 2,904,485	\$ 4,670,087	\$ (1,765,602)	(38) %
Direct operating costs, excluding amortization	3,088,990	7,483,916	(4,394,926)	(59) %
Inventory provision	11,115,856	—	11,115,856	100 %
Gross profit, excluding amortization	\$ (11,300,361)	\$ (2,813,829)	\$ (8,486,532)	302 %

Revenue of \$2,904,485 (June 30, 2024 – \$4,670,087) from continuing operations for the three months ended June 30, 2025, was generated from the delivery of 18 electric propulsion units and provision of Aftersales services. This represents a decline compared to the same quarter in 2024 where revenue was comprised of sales of 36 units. The decrease reflects a reduction in production and sales volumes during the quarter in response to a general slowdown in EV adoption rates.

Direct operating costs, excluding amortization, from continuing operations declined to \$3,088,990 for the three months ended June 30, 2025, primarily reflecting the decrease in revenue, and also partly attributable to cost-optimization initiatives, including BoM improvements. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units, excluding depreciation and the amortization related to intangible assets. Direct operating costs are recognized in conjunction with revenue and vary directly with revenue.

The Company realized negative gross profit of \$11,300,361 for the three months ended June 30, 2025, compared to a negative margin of \$2,813,829 in the comparative period. The increase in negative gross margin is driven by a provision against excess and obsolete inventory amounting to \$11,115,856 recognized. Excluding the inventory provision, gross margin per unit improved comparatively, from an average of \$(78,162) per e-propulsion unit for the three months ended June 30, 2024 to \$(11,078) per e-propulsion unit for the three months ended June 30, 2025. Incremental cost savings, increased selling prices and higher contribution from a favorable product mix have contributed to margin performance during the period.

Amounts collected prior to the delivery of units are recorded as unearned revenue until such time all performance obligations have been completed. As of June 30, 2025, the Company recognized unearned revenue of \$1,841,188 which relates primarily to deposits received in advance from the Company's customers.

**Selling, general and administration**

	For the three months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Selling, general and administration	\$ 3,566,781	\$ 4,725,887	(1,159,106)	(25) %

Selling, general and administration expenses during the three months ended June 30, 2025, were \$3,566,781, a decrease of \$1,159,106 compared to the same quarter in 2024. The decrease is primarily attributable to:

- \$1.2 million decrease in office and general expenses, including decreases in insurance, software and licenses, computer and internet and shipping expenses, which witnessed a temporary increase in the prior period directly as a result of the recently concluded merger in that period.
- \$0.3 million decrease in regulatory fees owing to non-recurring expenses incurred in prior comparative period as a result of the business combination.
- \$0.5 million decrease in travel related expenses, similarly due to the absence of prior period costs incurred related to the acquisition of SEA Electric.



**Payroll and consulting**

	For the three months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Payroll and consulting fees	\$ 3,884,404	\$ 7,063,936	(3,179,532)	(45) %

Payroll and consulting fees decreased during the three months ended June 30, 2025, by \$3,179,532 to \$3,884,404 (June 30, 2024 – \$7,063,936). The reduction in payroll and consulting fees is directly attributable to lower headcount in 2025 compared to the post-merger period in 2024, as the Company optimized its work force through 2024 and early 2025 to match the expected production and manage its liquidity. Additionally, the Company disposed of its APAC operations in the second quarter of 2025, resulting in a further reduction of its workforce.

**Research and development**

	For the three months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Research and development	\$ 180,738	\$ 1,195,882	(1,015,144)	(85) %
Payroll and consulting fees (related to R&D)	931,763	1,523,351	(591,588)	(39) %
Share-based payments	31,990	34,051	(2,061)	(6) %
Research and development	\$ 1,144,491	\$ 2,753,284	(1,608,793)	(58) %

Research and development ("R&D") costs decreased by \$1,608,793 to \$1,144,491 (June 30, 2024 – \$2,753,284) for the three months ended June 30, 2025. Current period R&D costs reflect an increased focus on strategic development initiatives, and a narrower focus on key research activities, given the Company's stage of development and progression from earlier development phases in comparative period. The reduction in R&D activities resulted in reduced material consumption and lower labor requirements reflected in the decreased proportion of payroll expense allocation in the current period.

**For the six months ended June 30, 2025, compared to the six months ended June 30, 2024**

**Revenue and gross profit from continuing operations**

	For the six months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Revenue	\$ 6,976,740	\$ 4,757,915	\$ 2,218,825	47 %
Direct operating costs, excluding amortization	8,840,495	7,624,433	1,216,062	16 %
Inventory provision	10,973,056	—	10,973,056	100 %
Gross profit, excluding amortization	\$ (12,836,811)	\$ (2,866,518)	\$ (9,970,293)	348 %

Revenue from continuing operations increased to \$6,976,740, an increase of 47% and \$2,218,825 over the comparative period in 2024 and was generated from delivery of 41 e-propulsion units versus 36 units in prior period. The increase in revenue is attributable to an increase in volume over prior period as well as in pricing per unit compared to the prior period.

Direct operating costs excluding amortization also grew by \$1,216,062 and 16% over the comparative period. The increase is generally in line with the growth in revenue but remained less than proportionate due to ongoing cost-optimization initiatives, including BoM improvements. The Company realized negative gross profit of \$12,836,811 compared to a negative margin of \$2,866,518 in prior period, reflecting a decline primarily attributable to inventory write downs during the period. The write downs were necessitated due to excess inventory on hand relative to forecasted production volumes. Excluding inventory provisions in the current period, gross profit saw an improvement from negative \$2,866,518 for the six months ended June 30, 2024 to negative \$1,863,755 for the six months ended June 30, 2025.



**Selling, general and administration**

	For the six months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Selling, general and administration	\$ 6,636,123	\$ 7,142,862	(506,739)	(7) %

Selling, general and administration expenses during the six months ended June 30, 2025, were \$6,636,123, a decrease of 506,739 compared to the same quarter in 2024. The decrease is primarily attributable to:

- \$0.5 million decrease in office and general expenses, including decreases in insurance, software and licenses, computer and internet and shipping expenses, which witnessed an uptake in the prior period directly as a result of the just concluded merger in that period
- \$0.6 million decrease in regulatory fees owing to non-recurring expenses incurred in prior comparative as a result of the business combination.
- \$0.6 million decrease in travel related expenses, similarly due to the absence of prior period costs incurred related to the acquisition of SEA Electric.

These decreases are offset by an increase in professional fees during the period, including \$1.4 million relating to legal expenses incurred for ongoing legal claims, and an increase of \$0.1 million in accounting and audit fees. The company continues to implement streamlining measures and reduce discretionary spending across all categories, including in selling, general and administrative spending.

**Payroll and consulting**

	For the six months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Payroll and consulting fees	\$ 8,332,567	\$ 10,683,369	(2,350,802)	(22) %

Payroll and consulting fees during the six months ended June 30, 2025 decreased to \$8,332,567 (June 30, 2024 - \$10,683,369), a decrease of 22% from prior period. The change in payroll expenses is mainly attributable to a reduction of headcount in 2025 compared to the same period in 2025. The Company continued to optimize its workforce to match its product demand and liquidity requirements through 2024 and early 2025. Additionally, the Company disposed of its APAC operations in the second quarter of 2025, resulting in a further reduction of its workforce.

**Research and development**

	For the six months ended			
	June 30, 2025	June 30, 2024	\$ Change	% Change
Research and development	\$ 412,502	\$ 2,760,491	(2,347,989)	(85) %
Payroll and consulting fees (related to R&D)	1,912,738	3,207,854	(1,295,116)	(40) %
Share-based payments	112,472	34,051	78,421	230 %
Research and development	\$ 2,437,712	\$ 6,002,396	(3,564,684)	(59) %

Research and development ("R&D") costs decreased by \$3,564,684 to \$2,437,712 (June 30, 2024 - \$6,002,396) for the six months ended June 30, 2025. R&D costs include labor and materials directly related to the development of the Company's Coil Driver™ and Cell Driver™ technology. Fewer R&D activities and projects translated into a corresponding decrease in material consumption and personnel requirements which are reflected in the reduced proportion of payroll and associated costs allocated to R&D in the current period.



## RESULTS FROM DISCONTINUED OPERATIONS

### Exro Vehicle Systems

During the year ended December 31, 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc entity, resulting in the discontinuation of operations and engineering services provided by the entity. During the period ended June 30, 2025, the Company recorded nil (June 30, 2024- (\$2,311,384) in revenue from discontinued operations and gross profit of nil (June 30, 2024- \$775,679). Net income from discontinued operations in the period amounted to \$7,395 (June 30, 2024- \$88,183). The Company recorded cash flow from operating activities of nil, cash flow from investing activities of nil and cash flow from financing activities of nil (June 30, 2024 - \$(60,684), \$114,316 and \$(102,683), respectively. Net cash flow for the period was nil (June 30, 2024 - \$64,028).

### APAC Operations

On May 15, 2025, the Company announced plans to wind down its APAC operations as part of its focus on core markets and capital efficiency.

As part of the strategic wind down, three subsidiaries SEA Electric Pty Ltd, SEA Electric Holdings and SEA Automotive Pty Ltd, (collectively the "Australian subsidiaries") were placed under voluntary administration on May 6, 2025. On May 21, 2025, SEA Electric Ltd ("SEA NZ") was similarly placed under voluntary administration. As part of the process, an independent administrator was appointed to oversee the administration process of the Australian subsidiaries and SEA NZ. During the administration process the Company determined that control over the Australian subsidiaries, and its subsidiaries, was retained in accordance with IFRS 10.

On June 25, 2025, the Company executed a Deed of Company Arrangement ("DOCA"), through which the Company acquired certain assets from the Australian Subsidiaries under administration and completed a reorganization of its remaining subsidiaries and disposed of the Australian subsidiaries. Specifically, the Company retained the intellectual property previously held within the Australian subsidiaries and the assets and liabilities of SEA Electric LLC, SEA Electric ASIA Ltd, SEA Electric GmbH, and SEA Electric Limited. The assets and liabilities of the entities retained have been recorded at fair value as at June 30, 2025.

As at June 30, 2025, the operations of the Australian entities and the New Zealand entity have been classified as discontinued operations and the financial results included in results from discontinued operations. The assets and liabilities not expected to be recovered or settled were derecognized, resulting in a net gain on disposal of \$2.8 million, and net income from discontinued operations of \$0.8 million for the six months ended June 30, 2025.

The Company recognized restructuring costs of \$3.0 million in the period, which are comprised of expenses related to the wind down of the Company's Australian subsidiaries and SEA NZ, along with the ongoing strategic review process.

The following table summarizes the Company's financial results from APAC discontinued operations.



	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 10,597	\$ 600,172	\$ 379,126	\$ 600,172
Cost of sales	2,026	549,711	234,725	549,711
Inventory provision	—	—	863,321	—
<b>Gross Profit</b>	<b>\$ 8,571</b>	<b>\$ 50,461</b>	<b>\$ (718,920)</b>	<b>\$ 50,461</b>
<b>EXPENSES</b>				
Payroll and consulting	—	1,613,448	898,455	1,613,448
Selling, general and administration	—	442,895	96,675	442,895
Research and development	—	361,022	2,528	361,022
Depreciation expense	—	35,713	200,016	35,713
Interest expense	—	69,133	48,927	69,133
<b>TOTAL EXPENSES</b>	<b>\$ —</b>	<b>\$ (2,522,211)</b>	<b>\$ (1,246,601)</b>	<b>\$ (2,522,211)</b>
Other income	—	386	9,461	386
Gain on disposal of assets	2,784,618	—	2,787,321	—
Foreign exchange loss	—	(1,290)	—	(1,290)
<b>NET INCOME(LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>\$ 2,793,189</b>	<b>\$ (2,472,654)</b>	<b>\$ 831,261</b>	<b>\$ (2,472,654)</b>

## Cash flows from discontinued operation

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Cash provided by (used in):				
Cash flows from operating activities	\$ 68,303	\$ (2,645,435)	\$ (783,670)	\$ (2,645,435)
Cash flows from (used in) investing activities	(175,214)	88,714	(175,214)	88,714
Cash flows from (used in) financing activities	(68,659)	2,672,633	514,938	2,672,633
Impact of foreign currency translation	9,300	(9,665)	(20,026)	(9,665)
<b>Net cash flow for the period</b>	<b>\$ (166,270)</b>	<b>\$ 106,247</b>	<b>\$ (463,972)</b>	<b>\$ 106,247</b>



## OUTSTANDING SHARE DATA

As of June 30, 2025, there were 572,462,666 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of August 14, 2025	Number outstanding as of June 30, 2025
Common shares issued and outstanding	572,800,452	572,462,666
Preferred shares issued and outstanding	41,536,975	41,874,761
Options	50,319,101	50,518,451
Warrants	50,430,032	50,430,032
RSUs	1,154,859	1,154,859
PSUs	250,500	250,500

During the six months ended June 30, 2025, the Company issued 40,907,028 options to employees, directors and executives at a share price of \$0.10. In addition, 17,400,585 preferred shares were converted into common shares. 100,000 RSUs were issued while 2,974,253 RSUs were settled into 1,418,659 common shares and 1,555,594 preferred shares in accordance with the terms of the Company's long term incentive plan.

## SOURCES AND USES OF CASH

	For the six months ended	
	June 30, 2025	June 30, 2024
Cash used in operating activities	\$ (30,599,598)	\$ (29,605,533)
Cash used in investing activities	(49,856)	(1,130,526)
Cash provided by financing activities	26,567,146	27,301,906
Impact of foreign currency translation	5,387,483	(766,832)
Increase (decrease) in cash and cash equivalents	\$ 1,303,175	(4,200,985)
Ending cash balance	\$ 3,564,050	\$ 2,040,191

Cash used in operating activities increased to \$30,599,598 for the six months ended June 30, 2025, compared to \$29,605,333 during the same period in 2024. The increase in operating cash flow in the period resulted from higher working capital requirements to support revenue generating activities in the period, as well as costs associated with restructuring activities.

Cash used in investing activities for the six months period ended June 30, 2025, was \$49,856 relating to the purchase of a vehicle during the period, compared to \$1,130,526 in prior period used in the purchase of equipment for the Company's testing and production facility. Consistent with the current business model, minimal capital-intensive investments and asset acquisitions are expected.

Cash provided by financing activities for the six months ended June 30, 2025, was \$26,567,146, compared to \$27,301,906 during the same period in 2024. Cash from financing activities was attributable to the additional funding from drawdown on the senior secured promissory notes and the new credit facility. Funds received were primarily used to fund operating activities and the ongoing strategic review process. Financing cash in the comparative period relates to the proceeds from equity financing completed in that quarter.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2025, the Company had cash of \$3,564,050 and accounts receivable of \$1,113,536 while accounts payable and accrued liabilities and other payables totaled \$26,868,698. To carry out planned development and meet operating demands, the Company will spend its existing working capital and raise additional funds as needed through but not limited to debt and/or equity financing.

## GOING CONCERN ASSUMPTION

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.



During the six-month period ended June 30, 2025, the Company generated a net loss from continuing operations of \$103,291,352 (June 30, 2024 - \$35,689,872) and negative cash flows from operating activities of \$30,599,598 (June 30, 2024 - \$29,605,533). As at June 30, 2025, the Company has an accumulated deficit of \$542,850,659 (December 31, 2024 - \$440,397,962) and a working capital deficit (current assets less current liabilities) of \$20,755,334 (December 31, 2024 - \$6,894,395). The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of cash on hand of \$3,564,050 as at June 30, 2025. The Company has current financial liabilities of \$38,028,256 in excess of cash and accounts receivable and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to June 30, 2025. The Company is actively managing its liquidity pending additional financing. To continue to maintain operations and execute its business plan, the Company is currently undergoing a strategic review process supported by a strategic advisor, to evaluate a range of outcomes including strategic partnerships, capital restructuring, M&A opportunities and other corporate transactions. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

As part of the strategic review process the Company completed the wind-down of its Asia-Pacific Operations ("APAC") during the period. This resulted in the discontinuation of services and operations within the business unit and the elimination of non-profitable cash flows and associated liabilities.

During the period, the Company also secured additional financing by drawing down on the Notes of US\$3.0 million (\$4.3 million) on January 29, 2025, US\$2.0 million (\$2.9 million) on February 11, 2025, US\$2.5 million (\$3.6 million) on March 12, 2025, US\$2.0 (\$2.8 million) million on April 9, 2025 and US\$2.0 million (\$2.8 million) on April 28, 2025 (Note 11). The Company also entered a loan facility agreement with an existing institutional lender and has secured additional financing of up to US\$ 30.0 million subject to certain conditions precedent. As at June 30, 2025, the Company had drawn US \$8.0 million (\$10.9 million) under the loan facility. Subsequent to June 30, 2025, the Company had drawn an additional US \$2.0 million (\$2.7 million). The Company continues to be reliant on additional draws on the loan facility subject to completion of scheduled milestones.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the three and six months ended June 30, 2025.

#### CRITICAL JUDGMENTS

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

- i. Management is required to assess the functional currency of the Company and its subsidiaries. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- ii. Management is required to determine whether 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.
- iii. Where the fair value of financial assets and liabilities recorded on the condensed consolidated interim statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to



these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Where the fair value cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

- iv. Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and equity components. The debentures consist of a financial liability which represents the obligation to pay coupon interest on the convertible debentures in the future, a freestanding equity classified share purchase warrant, and an equity component related to the ability to convert the debenture to common shares at the option of the holder.

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability and equity components may also be based on various assumptions including contractual future cash flows, discount rates, volatility, credit spread, and the presence of any derivative financial instruments.

- v. Management applied judgment in assessing the accounting treatment for the individual components of the senior secured convertible debentures and whether the warrants and conversion option qualify as an equity instrument, including whether the terms meet the fixed for fixed requirement.
- vi. Management applied judgment in determining whether it retains control over its APAC subsidiaries for the purposes of consolidation. The Company assesses control of subsidiaries based on whether it is exposed to or has rights to variable returns from its involvement with the subsidiaries, and whether it has the ability to influence those returns through its power over the subsidiaries. During the period, the Company announced the strategic wind down of its APAC operations and initiated a reorganization of the affected subsidiaries. In exercising judgement, Management considered facts and circumstances including its strategic and operational direction of relevant activities in the subsidiaries and determined the control criteria continued to be met during the reorganization and as at the end of the reporting period.

#### ESTIMATION UNCERTAINTY

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

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

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

- ii. 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.
- iii. Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets.
- v. Impairment tests - if impairment tests are required, the Company's impairment test compares the carrying value of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance, as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.



## 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 decide 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 condensed consolidated interim financial statements for the three and six months ended June 30, 2025. 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 three and six months ended June 30, 2025, the following expenses were incurred to the Company's key management:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Payroll and consulting fees	711,141	1,702,437	1,312,718	2,377,858
Share based payments	169,454	232,671	1,373,037	459,449
<b>Total</b>	<b>\$ 880,595</b>	<b>\$ 1,935,108</b>	<b>\$ 2,685,755</b>	<b>\$ 2,837,307</b>

Payroll and consulting related fees decreased compared to the prior period, reflective of the Company's cost savings initiatives. The decrease is offset by increase in stock-based compensation expenses recognized on Option awards granted during the period.

## FINANCIAL INSTRUMENTS

### (a) Fair value

As of June 30, 2025, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and other payables approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

The Company uses a fair value hierarchy to reflect the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs that are not based on observable market data.

The following table outlines the fair value hierarchy of the Company's financial instruments that are measured at fair value:

Instrument	Fair value hierarchy
Derivative asset	Level 2
Liability classified warrant	Level 2

The convertible debt and senior secured promissory notes are discounted using interest rates that approximate fair value rates that would be classified as level 2 in the fair value hierarchy.

### (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, 2025, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents and accounts receivable. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure. As at June 30, 2025, the Company had significant concentration of credit risk with respect to accounts receivable. Approximately 57% of the Company's total account receivable was due from a single customer.

The Company applies the simplified approach under IFRS 9 and calculates expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

#### ***Liquidity risk***

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

As at June 30, 2025, the Company had cash of \$3,564,050 and accounts payable of \$24,846,767 and accrued liabilities and other payables of \$2,021,931 due within one year.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash.

The Company holds senior secured promissory notes, with a face value plus accrued interest of US\$73,017,750 (\$104,789,965) due between March 2028 and April 2028. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date.

The Company has a secured loan facility with a carrying amount of US\$8,000,000 (\$10,948,400) as at June 30, 2025. The facility bears interest at a rate of 14% annually with principal and accrued interest due on the maturity date.

#### ***Market risk***

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

#### ***Foreign exchange risk***

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At June 30, 2025, the Company had the equivalent of \$122,389,491 of net financial liabilities denominated in US dollars, \$1,278,884 of net financial liabilities denominated in Euros, and \$87,691 of net financial liabilities denominated in Australian Dollars.

#### ***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.

On March 12, 2025, the United States started applying a 25% tariff on imports of steel and aluminum products from all countries, including Canada. The impact of tariffs or other measures, once implemented, is subject to a number of factors, including the duration of such tariffs or measures, changes in the amount, scope and nature of the tariffs or measures in the future, any further countermeasures that may be taken (which could increase the cost or availability of materials for Exro or its clients), and any mitigating actions that may become available. The introduction of tariffs or non-tariff measures could cause some volatility for the Company and some purchased materials could be impacted, through price increases and/or reduced availability. Efforts would be made to mitigate these impacts by purchasing from alternative sources or by passing these escalated costs on to clients. Additionally, some clients could be impacted by tariffs or non-tariff measures, resulting in less spending by customers. Higher raw material costs brought about by tariffs or other measures, or delayed or cancelled projects could have a material adverse effect on the Company's future earnings and financial position.

## **CONTROLS AND PROCEDURES**

### ***Disclosure Controls and Procedures***

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

### ***Internal Controls Over Financial Reporting***

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Exro; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud. The Company identified a material weakness in its ICFR during the period ended June 30, 2024, described further below.



#### Identified material weakness

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In conjunction with the preparation of the Company's condensed consolidated interim financial statements for the period ended September 30, 2024, Management concluded a material weakness existed in the Company's internal controls over financial reporting. As at September 30, 2024, the Company did not have sufficient accounting and financial reporting personnel available to adequately address complex accounting and valuation matters like those associated with the acquisition accounting of SEA Electric on April 5, 2024, including the timely preparation and review of financial statements and other external reporting. The material weakness resulted in material adjustments to the unaudited condensed consolidated interim financial statements for the three and twelve months ended December 30, 2024.

#### June 30, 2025, Update

As at June 30, 2025, the material weakness still exists; however, the Company has taken steps to improve its DC&P and ICFR and remediate the material weakness through addition of qualified accounting personnel with experience in complex accounting matters and financial reporting in accordance with IFRS, to directly assist in the timely preparation of financial statements and strengthen its accounting function. In the past, the Company also engaged consultants to assist with complex accounting matters where necessary to ensure the appropriate treatment of such matters. Furthermore, the Company has enhanced its internal review process and implemented segregation of duties across accounting personnel to ensure appropriate and adequate review controls are in place. These measures are expected to improve the efficiency and accuracy of the Company's financial reporting process. The Company will continue to assess the effectiveness of these remediation efforts over time.

#### RISKS FACTORS

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 2024 Annual Information Form filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). 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.

#### 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 statements 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.

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 June 30, 2025 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.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Expectations with regard to Exro's ability to maintain and raise adequate source of funding to finance the Company's operations and development;
- Expectations with respect to the outcome of the ongoing strategic review process;
- Exro's business plans, outlook and strategy;
- Exro's expectation with respect to its future purchase orders, sales agreements, and production;
- Exro's expectation with respect to its future hiring and R&D activities;
- Expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same; and
- Anticipated supply and demand of Exro's products

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, "FOFI") about Exro's prospective financial position. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Exro's anticipated future business operations.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include the risk factors set out in Exro's annual information form and include, but not limited to:

- The ability for the Company to execute against its operating plan is contingent on the outcome of the ongoing strategic review process, including the evaluation of strategic partnerships, M&A activities, capital restructuring, or other corporate transactions;
- Factors outside Exro's control may impact Exro's ability to successfully execute its commercialization plan;
- Potential delays in Coil Driver™ on road validation testing with customers;
- Anticipated market demand and sales orders may differ based on changes in customers' pipelines and/or product requirements;
- Potential delays in completion of testing and validation of future Coil Driver™ prototypes.
- Continued SEA drive production in a timely and sufficient manner to meet demand
- Significant shift in the demand, adoption and regulatory landscape of passenger and commercial EVs
- Geopolitical risks and considerations particularly arising from domestic and international trade laws and tariffs

Exro's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Company's 2024 Annual Information Form available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements and FOFI contained in this MD&A are expressly qualified by this cautionary statement. Exro does not undertake any obligation to update or revise any forward-looking statements or FOFI, whether as a result of new information, future events or otherwise, unless required by law.

THIS IS **EXHIBIT "O"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.

A handwritten signature in black ink, appearing to read 'SAGE NEMATOLLAHI', written over a horizontal line.

SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



**Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2025**

*(Unaudited)*

*(Expressed in Canadian dollars)*

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

As at	Note	June 30, 2025	December 31, 2024
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 3,564,050	\$ 2,258,875
Accounts receivable	17	1,113,536	1,720,528
Prepaid expense		3,746,106	3,642,099
Inventory	9	13,526,816	30,796,716
<b>Total current assets</b>		<b>21,950,508</b>	<b>38,418,218</b>
Property, plant, and equipment	7	26,459,252	32,571,637
Intangible assets	8	41,377,103	105,328,473
Derivative asset	12	20,219	20,219
<b>TOTAL ASSETS</b>		<b>\$ 89,807,082</b>	<b>\$ 176,338,547</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 24,846,767	\$ 32,054,200
Accrued liabilities and other payables		2,021,931	4,753,849
Unearned revenue	6	1,841,188	4,214,729
Lease liability – current portion	10	1,532,633	2,298,260
Liability classified warrant	11	—	415,871
Warranty provision		1,514,923	1,575,704
Loan facility	13	10,948,400	—
<b>Total current liabilities</b>		<b>42,705,842</b>	<b>45,312,613</b>
Long-term debt		116,940	122,888
Lease liability – long-term portion	10	3,068,894	5,974,545
Convertible debentures	12	13,091,401	12,748,383
Senior secured promissory notes	11	105,990,595	89,472,226
<b>TOTAL LIABILITIES</b>		<b>\$ 164,973,672</b>	<b>\$ 153,630,655</b>
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>			
Share capital	14	421,929,805	418,899,358
Contributed surplus		40,185,805	40,864,892
Equity component of convertible debentures	12	991,295	991,295
Deficit		(542,850,659)	(440,397,962)
Accumulated other comprehensive income		4,577,164	2,350,309
<b>TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		<b>\$ (75,166,590)</b>	<b>\$ 22,707,892</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		<b>\$ 89,807,082</b>	<b>\$ 176,338,547</b>

Going concern (note 1)

Commitments and contingencies (note 20)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on Aug 14, 2025. They are signed on the Company's behalf by:

/s/ Rod Copes

Director

/s/ Frank Simpkins

Director

See accompanying notes to the condensed consolidated interim financial statements

## Exro Technologies Inc.

## Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars- Unaudited)

		For the three months ended June 30,		For the six months ended June 30,	
	Note	2025	2024 (Restated)	2025	2024 (Restated)
Revenue	6	\$ 2,904,485	\$ 4,670,087	\$ 6,976,740	\$ 4,757,915
Direct operating costs, excluding amortization		3,088,990	7,483,916	8,840,495	7,624,433
Inventory provision	9	11,115,856	—	10,973,056	—
<b>GROSS PROFIT, EXCLUDING AMORTIZATION</b>		<b>\$ (11,300,361)</b>	<b>\$ (2,813,829)</b>	<b>\$ (12,836,811)</b>	<b>\$ (2,866,518)</b>
<b>EXPENSES</b>					
Depreciation and amortization	7,8	6,997,976	10,811,107	14,191,574	11,685,221
Payroll and consulting		3,884,404	7,063,936	8,332,567	10,683,369
Selling, general and administration		3,566,781	4,725,887	6,636,123	7,142,862
Interest expense	11,12	2,999,999	705,192	6,728,283	1,402,990
Restructuring costs		2,979,990	—	2,979,990	—
Research and development	18	1,144,491	2,753,284	2,437,712	6,002,396
Share-based payments	14	144,476	1,122,365	1,341,889	1,465,867
Warranty expense		104,865	—	191,328	—
Loss on disposal of assets		—	—	155,566	—
Transaction costs		—	2,494,517	—	4,571,662
<b>TOTAL EXPENSES</b>		<b>\$ (21,822,982)</b>	<b>\$ (29,676,288)</b>	<b>\$ (42,995,032)</b>	<b>(42,954,367)</b>
Loss on investment		—	(667,558)	—	(1,570,796)
Change in fair value of derivative asset		—	(829,102)	—	(287,138)
Change in fair value of promissory note		—	8,735,756	—	8,735,756
Change in fair value of liability classified warrant	11	294,974	2,157,853	400,647	2,157,853
Impairment expense	8	(48,497,784)	—	(48,497,784)	—
Foreign exchange gain (loss)		(396,415)	(357,498)	539,207	287,744
Other income		9,093	9,653	98,421	172,057
<b>Net loss before tax from continuing</b>		<b>\$ (81,713,475)</b>	<b>\$ (23,441,013)</b>	<b>\$ (103,291,352)</b>	<b>(36,325,409)</b>
Deferred tax recovery		—	635,537	—	635,537
<b>Net loss from continuing operations</b>		<b>\$ (81,713,475)</b>	<b>\$ (22,805,476)</b>	<b>\$ (103,291,352)</b>	<b>(35,689,872)</b>
<b>Net income(loss) from discontinued operations</b>	19	<b>\$ 2,800,583</b>	<b>\$ (2,401,633)</b>	<b>\$ 838,655</b>	<b>(2,384,471)</b>
<b>NET LOSS</b>		<b>\$ (78,912,892)</b>	<b>\$ (25,207,109)</b>	<b>\$ (102,452,697)</b>	<b>(38,074,343)</b>
Items that may be subsequently reclassified to earnings:					
Gain (loss) on translation of foreign		2,728,516	2,987,002	2,226,855	2,569,680
<b>COMPREHENSIVE LOSS</b>		<b>\$ (76,184,376)</b>	<b>\$ (22,220,107)</b>	<b>\$ (100,225,842)</b>	<b>(35,504,663)</b>
Net loss per share - basic and diluted	14	\$ (0.13)	\$ (0.05)	(0.17)	(0.12)
Weighted average number of shares outstanding		601,488,224	490,157,725	601,131,698	330,117,794

See accompanying notes to the condensed consolidated interim financial statements

**Exro Technologies Inc.**  
**Condensed Consolidated Interim Statements of Shareholders' (Deficiency) Equity**  
*(Expressed in Canadian dollars - Unaudited)*

		Number of common shares outstanding	Number of preferred shares outstanding	Share capital	Contributed surplus	Equity component of convertible debentures	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' (deficiency) equity
<b>Balance, December 31, 2023</b>	<b>Note</b>	<b>170,021,818</b>	<b>—</b>	<b>\$ 154,354,940</b>	<b>\$ 28,768,802</b>	<b>\$ 991,295</b>	<b>\$ (151,464,762)</b>	<b>\$ (79,151)</b>	<b>\$ 32,571,124</b>
Acquisition		146,453,200	160,589,446	213,210,889	9,172,628	—	—	—	222,383,517
Financing, net of issuance costs		31,600,000	—	27,439,216	—	—	—	—	27,439,216
Share issuance costs		—	—	—	—	—	—	—	—
Shares issued for interest		1,794,000	—	897,000	—	—	—	—	897,000
Shares issued on exercise of options	14	100,000	—	72,290	(31,290)	—	—	—	41,000
Share-based payments		—	—	—	1,499,918	—	—	—	1,499,918
Net loss		—	—	—	—	—	(38,074,343)	—	(38,074,343)
Other comprehensive income		—	—	—	—	—	—	2,569,680	2,569,680
<b>Balance, June 30, 2024</b>		<b>349,969,018</b>	<b>160,589,446</b>	<b>\$ 395,974,335</b>	<b>\$ 39,410,058</b>	<b>\$ 991,295</b>	<b>\$ (189,539,105)</b>	<b>\$ 2,490,529</b>	<b>\$ 249,327,112</b>
<b>Balance, December 31, 2024</b>		<b>540,802,464</b>	<b>57,746,424</b>	<b>\$ 418,899,358</b>	<b>\$ 40,864,892</b>	<b>\$ 991,295</b>	<b>\$ (440,397,962)</b>	<b>\$ 2,350,309</b>	<b>\$ 22,707,892</b>
Shares issued for interest	14	12,814,284	—	897,000	—	—	—	—	897,000
Shares issued on exercise of RSUs	14	1,445,333	1,528,922	2,133,447	(2,133,447)	—	—	—	—
Conversion of preferred shares	14	17,400,585	(17,400,585)	—	—	—	—	—	—
Share-based payments	14	—	—	—	1,454,360	—	—	—	1,454,360
Net loss		—	—	—	—	—	(102,452,697)	—	(102,452,697)
Other comprehensive income		—	—	—	—	—	—	2,226,855	2,226,855
<b>Balance, June 30, 2025</b>		<b>572,462,666</b>	<b>41,874,761</b>	<b>\$ 421,929,805</b>	<b>\$ 40,185,805</b>	<b>\$ 991,295</b>	<b>\$ (542,850,659)</b>	<b>\$ 4,577,164</b>	<b>\$ (75,166,590)</b>

See accompanying notes to the condensed consolidated interim financial statements

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

		For the three months ended June 30,		For the six month ended June 30,	
	Notes	2025	2024	2025	2024
<b>OPERATING ACTIVITIES</b>					
Net loss for the period		\$ (78,912,892)	\$ (25,207,109)	\$ (102,452,697)	\$ (38,074,343)
Items not involving cash:					
Depreciation and amortization	7, 8	6,994,439	10,976,636	14,388,053	11,982,867
Share-based payments	14	176,464	1,156,416	1,454,360	1,499,918
Non-cash interest	11,12	3,327,708	594,363	6,488,868	1,194,422
Gain on disposal of assets		(3,133,644)	(100,100)	(2,978,078)	(100,100)
Unrealized loss on investments		—	667,558	—	1,570,796
Unrealized foreign exchange gain (loss)		(4,948,662)	800,816	(5,173,843)	625,646
Change in fair value of derivative asset		—	829,102	—	287,138
Change in fair value of promissory note		—	(8,735,756)	—	(8,735,756)
Change in fair value of liability classified warrant	11	(294,974)	(2,157,853)	(400,647)	(2,157,853)
Impairment expense	8	48,497,784	—	48,497,784	—
Inventory provision	9	11,100,596	—	11,821,117	—
Deferred tax recovery		—	(635,537)	—	(635,537)
Changes in non-cash working capital items:					
Accounts receivable		615,733	1,119,523	(463,979)	3,930,367
Prepaid expenses		(687,667)	(106,215)	(275,349)	490,513
Accounts payable and accrued liabilities		(2,702,920)	(5,685,213)	(3,261,704)	(1,887,537)
Inventory		1,444,398	57,286	1,915,167	(13,653)
Unearned revenue		(594,597)	92,811	(295,161)	347,653
Warranty provision		55,309	69,926	136,511	69,926
<b>Cash used in operating activities</b>		<b>\$ (19,062,925)</b>	<b>\$ (26,263,346)</b>	<b>\$ (30,599,598)</b>	<b>\$ (29,605,533)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of equipment		(49,856)	(323,823)	(49,856)	(1,082,154)
Proceeds from sale of assets		—	186,202	—	186,202
Change in non-cash working capital		—	(205,427)	—	(234,574)
<b>Cash used in investing activities</b>		<b>(49,856)</b>	<b>\$ (343,048)</b>	<b>\$ (49,856)</b>	<b>\$ (1,130,526)</b>
<b>FINANCING ACTIVITIES</b>					
Cash acquired on acquisition		—	685,261	—	685,261
Share issue cost		—	(2,504,702)	—	(2,580,784)
Proceeds from exercise of options	14	—	—	—	41,000
Proceeds from financings		—	30,020,000	—	30,020,000
Proceeds from promissory note	11	5,615,510	—	16,415,408	—
Proceeds from loan facility	13	10,961,130	—	10,961,130	—
Principal repayments of lease liability	10	(187,786)	(527,940)	(809,392)	(791,347)
Repayment of debt		—	—	—	(40,000)
Change in non-cash working capital		—	136,319	—	(32,224)
<b>Cash provided by financing activities</b>		<b>\$ 16,388,854</b>	<b>\$ 27,808,938</b>	<b>\$ 26,567,146</b>	<b>\$ 27,301,906</b>
Impact of foreign currency translation		5,531,367	(219,927)	5,387,483	(766,832)
Increase (decrease) in cash and cash equivalents		2,807,441	982,617	1,305,175	(4,200,985)
Cash and cash equivalents, beginning of the period		756,609	1,057,574	2,258,875	6,241,176
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 3,564,050</b>	<b>\$ 2,040,191</b>	<b>\$ 3,564,050</b>	<b>\$ 2,040,191</b>

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

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See accompanying notes to the condensed consolidated interim financial statements

## 1. NATURE OF OPERATIONS

Exro Technologies Inc. ("Exro" or the "Company") is incorporated under the British Columbia Business Company Act. The Company's shares are listed on the TSX Exchange ("TSX") and trades under the symbol "EXRO". The Company's head office is located at 12-21 Highfield Circle S.E., Calgary, Alberta, T2G 5N6. Exro is a clean technology company that has developed new-generation power control electronics with an innovative suite of solutions, including Coil Driver™, Cell Driver™ and SEA Drive® that expand the capabilities of electric motors and batteries and offer OEMs a comprehensive e-propulsion solution with unmatched performance and efficiency. The Company is working towards commercialization and series production of its patented Coil Driver™ technology while concurrently generating revenue from the sale of SEA Drive®.

### Going Concern Assumption

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the six-month period ended June 30, 2025, the Company generated a net loss from continuing operations of \$103,291,352 (June 30, 2024 - \$35,689,872) and negative cash flows from operating activities of \$30,599,598 (June 30, 2024 - \$29,605,533). As at June 30, 2025, the Company has an accumulated deficit of \$542,850,659 (December 31, 2024 - \$440,397,962) and a working capital deficit (current assets less current liabilities) of \$20,755,334 (December 31, 2024 - \$6,894,395). The Company's current liabilities and expected level of expenditures for the next twelve months are in excess of cash on hand of \$3,564,050 as at June 30, 2025. The Company has current financial liabilities of \$38,028,256 in excess of cash and accounts receivable and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company's stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to June 30, 2025. The Company is actively managing its liquidity pending additional financing. To continue to maintain operations and execute its business plan, the Company is currently undergoing a strategic review process supported by a strategic advisor, to evaluate a range of outcomes including strategic partnerships, capital restructuring, M&A opportunities and other corporate transactions. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company's control, as such there is no assurance that the Company will be able to do so in the future.

As part of the strategic review process the Company completed the wind-down of its Asia-Pacific Operations ("APAC") during the period. This resulted in the discontinuation of services and operations within the business unit (note 19) and the elimination of non-profitable cash flows and associated liabilities.

During the period, the Company also secured additional financing by drawing down on the senior secured convertible promissory notes of US\$3.0 million (\$4.3 million) on January 29, 2025, US\$2.0 million (\$2.9 million) on February 11, 2025, US\$2.5 million (\$3.6 million) on March 12, 2025, US\$2.0 (\$2.8 million) million on April 9, 2025 and US\$2.0 million (\$2.8 million) on April 28, 2025 (Note 11). The Company also entered a loan facility agreement with an existing institutional lender and has secured additional financing of up to

US\$ 30.0 million subject to certain conditions precedent. As at June 30, 2025, the Company had drawn US \$8.0 million (\$10.9 million) under the loan facility (note 13). Subsequent to June 30, 2025, the Company had drawn an additional US \$2.0 million (\$2.7 million). The Company continues to be reliant on additional draws on the loan facility subject to completion of scheduled milestones.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## **2. BASIS OF PREPARATION**

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

These condensed consolidated interim financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full financial statements and should be read in conjunction with the Company's consolidated audited annual financial statements for the fiscal year ended December 31, 2024, which have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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, 2024.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated on consolidation.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 14, 2025.

### **(b) Basis of preparation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

### **(c) Functional currency and presentation**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its Canadian based subsidiaries.

### **(d) Basis of consolidation**

The Company controls an investee if the Company has power over the entity; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

*(Expressed in Canadian dollars -Unaudited)*

that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

Subsidiaries	Location of Operations	Percent Ownership	Functional Currency
DPM Technologies Inc.	Vancouver, Canada	100%	Canadian Dollar
Exro Technologies USA, Inc.	Arizona, USA	100%	US Dollar
Exro Vehicle Systems Inc.	Michigan, USA	100%	US Dollar
SEA Electric Inc.	California, USA	100%	US Dollar
SEA Electric LLC	California, USA	100%	US Dollar
SEA Electric ASIA Ltd	Bangkok, Thailand	100%	Thai Baht
SEA Electric GmbH	Vienna, Austria	100%	Euro
SEA Electric Limited	London, United Kingdom	100%	British Pounds
Cellex Energy Inc.	Arizona, USA	100%	US Dollar

**(e) Significant accounting estimates and judgements**

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. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Company's audited financial statements for the year ended December 31, 2024, except for those described below.

**Critical judgments**

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

**i. Consolidation of subsidiaries**

The Company assesses control of subsidiaries based on whether it is exposed to or has rights to variable returns from its involvement with the subsidiaries, and whether it has the ability to influence those returns through its power over the subsidiaries. During the period, the Company announced the strategic wind down of its Asia-Pacific ("APAC") operations and initiated a reorganization of the affected subsidiaries. Management applied judgment in determining whether it retains control over its APAC subsidiaries for the

purposes of consolidation. In exercising judgement, Management considered facts and circumstances including its strategic and operational direction of relevant activities in the subsidiaries and determined the control criteria continued to be met during the reorganization and as at the end of the reporting period.

### 3. MATERIAL 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 financial statements for the fiscal year-ended December 31, 2024.

### 4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### **Accounting standards issued but not adopted by the Company**

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted as follows. The Company is reviewing the new standards but does not expect their future adoption to have a material impact on Exro in the current or future reporting periods.

*IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18")*, has been issued to achieve comparability of the financial performance of similar entities. The Standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The Standard is effective for financial statements beginning on January 1, 2027, including interim financial statements and requires retrospective application. The Company is assessing the impact of this standard.

*IFRS 9 Financial Instruments & IFRS 7 Financial Instruments Disclosures* – have been amended to clarify the derecognition of financial liabilities settled through an electronic system and provide guidance for assessing the contractual cashflow characteristics of financial assets. The amendments also update the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add new disclosures for financial instruments with contingent features that do not relate directly to basic lending risks and costs. This amendment will be effective for annual reporting periods beginning on or after 1 January 2026. The Company is reviewing this amendment but does not expect their future adoption to have a material impact on its financial statements in future reporting periods.

### 5. BUSINESS COMBINATIONS

On April 5, 2024, the Company completed the acquisition of SEA Electric Inc, ("SEA Electric"). Exro acquired all of the issued and outstanding shares of SEA Electric and its operating subsidiaries through a plan of arrangement and merger. The Company completed the transaction through the issuance of 146,453,200 common and 160,589,446 preferred shares, and the exchange of previously outstanding options and RSU's in SEA Electric for replacement awards in Exro totaling 15,457,723 RSU's and 4,085,873 Options. The total consideration was for \$229,356,584, including Exro's previously held investment in SEA Electric, and was allocated to the assets acquired and liabilities assumed with any excess recognized as goodwill.

Goodwill of \$152,810,425 acquired on the business combination was attributable to existing customer relationships, brand name and patents recognized as intangible assets. During the year ended December 31, 2024, the Company performed an impairment test and identified impairment indicators on the carrying amount

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

of goodwill and intangible assets acquired, related to the decline in market capitalization and changes in forecasted production compared to the forecasts at the time of acquisition. As a result, the Company recognized an impairment loss of \$223,215,594 of which \$153,184,193 was allocated to goodwill and \$70,031,401 to intangible assets acquired (note 8).

The Company incurred costs related to the acquisition of \$4,593,633, which was included in transaction costs for the year ended December 31, 2024.

**6. REVENUE FROM CONTRACTS WITH CUSTOMERS*****Revenue recognition***

The Company recognized revenue of \$6,976,740, net of rebates, through the delivery of its products during the period.

*SEA-Drive®* - this consists of sales of SEA-Drive® electric power systems. The Company recognizes revenue when the unit is delivered to the customer. The Company also installs the SEA-Drive® electric power systems into customer-owned chassis.

*Coil Driver™* - this relates to the sale and delivery of Exro's Coil Driver™ to end customers. The Company recognizes revenue when the unit is delivered to the Customer.

*Cell Driver™*- this relates to the sale and delivery of Exro's Cell Driver to end customers. The Company recognizes revenue when the unit is delivered to the Customer.

*Aftersales Products and Services* - these consist of add-on products and services occurring after the sale of the SEA-Drive electric power systems. Revenue is recognized when the Company sells parts and control of parts has been transferred, and services have been rendered to the customer.

During the period, the Company had one customer which individually accounted for 68% of revenue.

Revenue previously recognized from the engineering services division and APAC operations has been included in income from discontinued operations (note 19).

***Unearned revenue***

	June 30, 2025
Balance, December 31, 2024	\$ 4,214,729
Deposits received in the period	2,078,838
Revenue recognized during the period	(2,387,042)
Write off (note 19)	(1,940,555)
Impact of foreign exchange	(124,782)
<b>Balance June 30, 2025</b>	<b>\$ 1,841,188</b>

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

## 7. PROPERTY PLANT AND EQUIPMENT

	Right-of- use asset	Machinery and equipment	Furniture and office equipment	Assets under construction	Total
<b>Cost</b>					
Balance, December 31, 2024	\$ 10,815,748	\$ 16,511,183	\$ 9,331,862	\$ 6,420,556	\$ 43,079,349
Additions	—	49,785	—	—	49,785
Transfers	—	1,146,966	41,826	(1,188,792)	—
Dispositions (note 19)	(3,052,290)	(331,799)	(1,697,404)	(869,113)	(5,950,606)
Impact of foreign exchange	(366,738)	(161,394)	(240,299)	(27,858)	(796,289)
<b>Balance, June 30, 2025</b>	<b>\$ 7,396,720</b>	<b>\$ 17,214,741</b>	<b>\$ 7,435,985</b>	<b>\$ 4,334,793</b>	<b>\$ 36,382,239</b>
<b>Accumulated Depreciation</b>					
Balance, December 31, 2024	\$ 4,024,992	\$ 3,218,532	\$ 3,264,188	\$ —	\$ 10,507,712
Depreciation	770,182	988,609	653,207	—	2,411,998
Dispositions (note 19)	(656,649)	(294,629)	(1,603,752)	—	(2,555,030)
Impact of foreign exchange	(187,434)	(102,591)	(151,668)	—	(441,693)
<b>Balance, June 30, 2025</b>	<b>\$ 3,951,091</b>	<b>\$ 3,809,921</b>	<b>\$ 2,161,975</b>	<b>\$ —</b>	<b>\$ 9,922,987</b>
<b>Carrying amounts</b>					
At December 31, 2024	\$ 6,790,756	\$ 13,292,651	\$ 6,067,674	\$ 6,420,556	\$ 32,571,637
<b>At June 30, 2025</b>	<b>\$ 3,445,629</b>	<b>\$ 13,404,820</b>	<b>\$ 5,274,010</b>	<b>\$ 4,334,793</b>	<b>\$ 26,459,252</b>

The Company recorded leased assets under machinery and equipment with a cost of \$639,875 and accumulated depreciation of \$346,599.

## 8. INTANGIBLE ASSETS AND GOODWILL

	Customer relationship	Developed technology	Brand name	Goodwill	Total
<b>Cost</b>					
Balance, December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —
Acquired assets April 5, 2024	48,569,156	134,892,172	11,007,870	152,810,425	347,279,623
Impairment	(17,490,513)	(48,576,782)	(3,964,106)	(153,184,193)	(223,215,594)
Impact of foreign exchange	1,925,584	5,347,965	436,420	373,768	8,083,737
Balance December 31, 2024	33,004,227	91,663,355	7,480,184	—	132,147,766
Impairment	(12,112,440)	(33,640,142)	(2,745,202)	—	(48,497,784)
Impact of foreign exchange	(1,238,664)	(3,440,167)	(280,734)	—	(4,959,565)
Balance, June 30, 2025	\$ 19,653,123	\$ 54,583,046	\$ 4,454,248	—	\$ 78,690,417
<b>Accumulated Amortization</b>					
Balance, December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization	6,378,500	17,715,147	1,445,644	—	25,539,291
Impact of foreign exchange	319,684	887,864	72,454	—	1,280,002
Balance December 31, 2024	6,698,184	18,603,011	1,518,098	—	26,819,293
Amortization	3,034,893	8,428,874	687,838	—	12,151,605
Impact of foreign exchange	(413,986)	(1,149,771)	(93,827)	—	(1,657,584)
Balance, June 30, 2025	\$ 9,319,091	\$ 25,882,114	\$ 2,112,109	\$ —	\$ 37,313,314
<b>Carrying amounts</b>					
At December 31, 2024	\$ 26,306,043	\$ 73,060,344	\$ 5,962,086	\$ —	\$ 105,328,473
At June 30, 2025	\$ 10,334,032	\$ 28,700,932	\$ 2,342,139	\$ —	\$ 41,377,103

### Impairment

Intangible assets are tested for impairment in accordance with the Company's accounting policy. Management reviews the carrying value of its intangible assets at each reporting period for indicators of impairment. During the period ended June 30, 2025, the Company identified indicators of impairment related to changes in fair value arising from the restructuring of subsidiaries that hold intangible assets, as well as downward revision of forecasted production volumes. These developments prompted a reassessment of recoverable amount of intangible assets. The intangible assets are directly related to the Exro SEA Drive CGU.

The recoverable amount was determined based on the fair value less cost of disposal ("FVLCD"). The fair value (FV) was estimated based on observable data from the implied transaction price from the asset valuations and consideration paid for the APAC restructuring (note 19). Management considered this to be reliable evidence of fair value given the timing and relevance of assets involved. The estimated costs of disposal were determined to be immaterial.

A comparison of the recoverable amounts for the intangible assets to the carrying value resulted in an impairment expense of \$48,497,784. The remaining carrying value of the intangible assets was \$41,377,103 after impairment.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

**9. INVENTORY**

The components of inventory are as follows:

		June 30, 2025		December 31, 2024
Raw materials	\$	12,811,665	\$	23,801,181
Work in progress		—		5,854,632
Finished goods		715,151		1,140,903
<b>Balance June 30, 2025</b>	<b>\$</b>	<b>13,526,816</b>	<b>\$</b>	<b>30,796,716</b>

Inventory is held at the lower of cost and net realizable value. The Company assesses its inventory valuation each period. During the period, the Company recorded net inventory provisions of \$10,973,056 (June 30, 2024 - \$nil), related to net realizable value as well as excess and obsolete inventory as at period. Excess and obsolete inventory was identified through the strategic review process based on the age of inventory, previous consumption and expected future alternative uses.

**10. LEASE LIABILITY**

		June 30, 2025		December 31, 2024
Balance, beginning of period	\$	8,272,805	\$	6,803,448
Acquired		—		4,562,431
Lease modification		—		(57,475)
Lease payments		(1,048,004)		(2,605,422)
Interest		238,644		683,366
Disposals		—		(1,428,240)
Write off (note 19)		(2,630,615)		—
Impact of foreign exchange		(231,303)		314,697
<b>Balance, end of period</b>	<b>\$</b>	<b>4,601,527</b>	<b>\$</b>	<b>8,272,805</b>
Consists of:				
Current lease liability	\$	1,532,633	\$	2,298,260
Non-current lease liability		3,068,894		5,974,545
<b>Balance, end of period</b>	<b>\$</b>	<b>4,601,527</b>	<b>\$</b>	<b>8,272,805</b>

The Company's lease liabilities relate primarily to leased facilities in which the Company conducts its business, including facilities for research and development activities, product manufacturing, and office space.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

**11. SENIOR SECURED PROMISSORY NOTES**

During the period ended June 30, 2025, the Company received funding under the Notes of US\$3.0 million (\$4,331,145) on January 29, 2025, US\$2.0 million (\$2,865,040) on February 11, 2025, US\$2.5 million (\$3,606,712) on March 12, 2024, US\$2.0 million (\$2,849,690) on April 9, 2025 and US\$2.0 million (\$2,774,820) on April 28, 2025 under the existing terms of the Notes (note 1). The maturity of the Notes is between March 2028 to April 2028. The table below summarizes the changes during the period and the closing value of the Notes as at June 30, 2025.

	Senior secured promissory note	Liability classified Warrant
Balance, December 31, 2024	\$ 89,472,226	\$ 415,871
Additions	16,415,408	—
Accrued interest	4,970,106	—
Accretion	278,744	—
Change in fair value of warrant	—	(105,673)
Gain on extinguishment of warrant	—	(294,974)
Impact of foreign exchange	(5,145,889)	(15,224)
Balance at June 30, 2025	\$ 105,990,595	\$ —

*Senior secured convertible promissory notes*

The Company recognized accrued interest of \$4,970,106 on the senior secured promissory note during the period.

*Liability classified warrant*

On May 15 2025, the liability classified warrants were surrendered in exchange of consideration of \$0.01 and the Company recognized a gain of \$294,974 on extinguishment of the liability.

**12. CONVERTIBLE DEBENTURES**

The table below summarizes the change in number of convertible debentures outstanding and the liability component of convertible debentures during the period.

	Number of convertible debentures	Liability component	Equity component	Equity warrant	Derivative asset
Balance at December 31, 2024	14,950	\$ 12,748,383	\$ 991,295	\$ 3,477,569	\$ 20,219
Accretion		343,018	—	—	—
Balance at June 30, 2025	14,950	\$ 13,091,401	\$ 991,295	\$ 3,477,569	\$ 20,219

Subsequent to period end on July 11 2025, the Company executed an Amended and Restated Indenture relating to the Convertible Debentures. The amendment relates to the postponement of first lien security interest on the assets of the Company effective from the date of the agreement.

In addition, the Indenture was amended to include a 120 day standstill period in respect of the enforcement of certain rights by the holders of the Convertible Debentures on the occurrence of an event of default under the Indenture.

No changes were made to the principal amounts, interest rate, maturity date or repayment terms of the debentures.

### 13. LOAN FACILITY

On May 15 2025, Exro entered into an agreement with an existing lender providing access to a secured, non-revolving multiple draw loan facility for up to USD \$30 million. The facility was obtained to support working capital needs and the implementation of the Company's strategic restructuring plans. Under the terms of the agreement, funds will be advanced in tranches, subject to the satisfaction of conditions, including:

- Postponement of first lien security interests on the Convertible Debentures in favor of the loan facility and existing senior secured promissory notes, or notices of redemption issued to redeem the Convertible Debentures in exchange for shares.
- Achievement of set milestones including implementation of operating plan, engagement of Strategic Advisor and active engagement with strategic partners in accordance with operating plan

The loan has an interest rate of 14% and interest is accrued monthly, with repayment of principal and accrued interest upon maturity. The loan maturity is between May - June 2026. As at June 30, 2025, the Company had \$10,948,400 outstanding on the loan facility.

In connection with the loan, the Company issued 75 million warrants allowing the lender to acquire common shares of the Company at an exercise price of \$0.01 for all of the warrants. The warrants do not expire. The loan and detachable warrants represent a compound financial instrument with the proceeds of the facility to be allocated between the loan liability and the equity component (warrants). As at June 30, 2025, the warrants are pending regulatory approval. The carrying amount of the facility presented on the balance sheet represents the face value of the debt.

### 14. SHARE CAPITAL

#### (a) Authorized common shares

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

#### (b) Preferred shares

There are an unlimited number of preferred shares authorized for issue.

#### (c) Issued and outstanding

At June 30, 2025, the Company had 572,462,666 common shares issued and outstanding, and 41,874,761 preferred shares outstanding.

**Notes to the Condensed Consolidated Interim Financial Statements****For the three and six months ended June 30, 2025***(Expressed in Canadian dollars -Unaudited)*

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During the period ended June 30, 2025, the Company:

- Issued 12,814,284 common shares at a price of \$0.07 for the settlement of interest payments of \$897,000 due on June 30, 2025, in connection with its convertible debenture
- Issued 1,445,333 common shares on the exercise of RSUs
- Issued 1,528,922 preferred shares on the exercise of RSUs
- Issued 17,400,585 common shares on the conversion of 17,400,585 preferred shares to common shares

During the period ended June 30, 2024, the Company:

- Issued 100,000 common shares on the exercise of options for total proceeds of \$41,000
- Issued 146,453,200 common shares for the acquisition of SEA Electric (note 5)
- Issued 160,589,446 preferred shares for the acquisition of SEA Electric (note 5)
- Issued 31,600,000 common shares at a price of \$0.95 on April 5, 2024 for aggregate gross proceeds of \$30,020,000
- Issued 1,794,000 common shares at a price of \$0.50 for the settlement of interest payments of \$897,000 due on June 30, 2024 in connection with its convertible debenture

**(d) Stock based compensation**

The Company's long term incentive plan, 'Exro Omnibus Long-Term Incentive Plan' provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and consultants of the Company, Restricted Share Units ("RSU"), Performance Share Units ("PSU"), Director Share Units ("DSU"), or Stock Options. The long-term incentive plan is a 10% rolling plan.

Under the incentive plan, the maximum number of common shares that may be granted in favor of any single individual will not exceed 10% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be granted in favor of directors and senior officers under the long-term incentive is 10% of the issued and outstanding common shares at the date of grant.

During the periods ended June 30, 2025 and 2024 the Company recorded share-based payments of \$1,341,889 and \$1,465,867 respectively. For the period ended June 30, 2025, \$112,472 of share-based payment expense was allocated to research and development (2024 - \$34,051).

**i. Stock options**

The fair values of share options granted were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	June 30, 2025
Risk-free interest rate	2.77%
Estimated annualized volatility	96.86%
Expected life	5 years
Expected dividend yield	0%
Exercise price	\$0.10
Share price	\$0.10
Fair value	\$0.07

The expected volatility is determined using the historical volatility of the Company's share price.

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

	Number	Weighted Average Exercise Price
<b>Balance, December 31, 2024</b>	11,430,990	\$1.69
Granted	40,907,028	\$0.10
Exercised	—	\$ —
Forfeited	(1,819,567)	\$1.50
<b>Balance, June 30, 2025</b>	<b>50,518,451</b>	<b>\$0.41</b>

Vesting schedule for stock options granted is as follows:

- 16,602,458 options vested immediately on grant date
- Remainder 24,304,570 vest 20% annually for the next four years

The following table summarizes information about the Company's share options outstanding as at June 30, 2025:

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
August 31, 2025	\$1.00	702,550	702,550
October 13, 2025	\$3.15	950,000	950,000
January 13, 2026	\$3.93	305,000	305,000
April 6, 2026	\$4.77	540,000	540,000
June 8, 2026	\$0.83	4,085,873	4,085,873
June 28, 2026	\$3.93	210,000	210,000
September 20, 2026	\$2.96	280,000	280,000
November 22, 2026	\$3.75	50,000	50,000
April 12, 2027	\$1.47	440,100	440,100
September 2, 2027	\$1.05	147,350	147,350
November 17, 2027	\$1.44	—	—

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

March 10, 2028	\$2.51	275,000	275,000
May 31, 2028	\$2.12	926,250	926,250
July 4, 2028	\$2.15	742,500	741,000
February 10, 2030	\$0.10	77,800	24,200
February 12, 2030	\$0.10	19,268,365	3,853,675
March 14, 2030	\$0.10	21,517,663	12,724,585
<b>Total</b>		<b>50,518,451</b>	<b>26,255,583</b>

## ii. Warrants

During the period ended June 30, 2025, the Company issued nil warrants (June 30, 2024 – nil). 6,282,136 warrants originally issued on February 4, 2022, expired unexercised on February 4, 2025

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2024	69,905,010	\$1.47
Expired	(6,282,136)	\$ 1.99
Cancelled	(13,192,842)	\$0.81
<b>Balance, June 30, 2025</b>	<b>50,430,032</b>	<b>\$1.58</b>

The following table summarizes information about the Company's warrants outstanding as at June 30, 2025 and December 31, 2024:

Date of Expiry	Exercise Price	June 30, 2025	December 31, 2024
February 4, 2025	\$2.00	—	6,191,225
February 4, 2025	\$1.60	—	90,911
September 1, 2026	\$ 1.36	3,029,390	3,029,390
September 20, 2026	\$ 1.36	803,757	803,757
September 13, 2027	\$ 0.35	2,857,160	2,857,160
September 13, 2027	\$ 0.42	37,499,725	37,499,725
December 30, 2027	\$ 2.40	6,240,000	6,240,000
<b>Total</b>		<b>50,430,032</b>	<b>56,712,168</b>

## iii. Performance share units

PSU transactions and the number of units outstanding are summarized below:

	Number of Units
Balance, December 31, 2024	397,875
Forfeited	(147,375)
Expired	—
<b>Balance, June 30, 2025</b>	<b>250,500</b>

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2025**  
*(Expressed in Canadian dollars -Unaudited)*

The Company issued nil PSU's during the period ended June 30, 2025. The outstanding units vest subject to the Company meeting certain revenue targets. The Company, at its discretion, may settle the award value of vested PSUs in common shares or cash.

The following table summarizes information about the Company's PSU's outstanding as at June 30, 2025:

<b>Date of Expiry</b>	<b>Number of Units Outstanding</b>	<b>Number of Units Exercisable</b>
December 31, 2026	250,500	—
<b>Total</b>	<b>250,500</b>	<b>—</b>

**iv. Restricted share units**

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

	<b>Number of Units</b>
Balance, December 31, 2024	4,856,351
Granted	100,000
Exercised	(2,974,253)
Forfeited	(827,239)
<b>Balance, June 30, 2025</b>	<b>1,154,859</b>

The Company issued 100,000 RSUs during the period ended June 30, 2025. The Company, at its discretion, may settle the award value of vested RSU's in common shares or cash. The total awards on exercise would result in the issuance of 604,014 preferred shares and 550,845 common shares.

During the period ended June 30, 2025, the Company settled 2,974,243 RSUs for a combination of 1,418,659 common shares and 1,555,594 preferred shares.

The following table summarizes information about the Company's RSU's outstanding as at June 30, 2025:

<b>Grant Date</b>	<b>Number of Units Outstanding</b>	<b>Number of Units Exercisable</b>
April 5, 2024	1,154,859	—
<b>Total</b>	<b>1,154,859</b>	<b>—</b>

**(e) Loss per share**

For the period ended June 30, 2025, loss per share includes weighted average common shares of 552,191,394 and weighted average preferred shares of 48,940,304. The preferred and common shares share in the same distribution rights.

Earnings per share from discontinued operations was nil for the period ended June 30, 2025 (June 30, 2024 - nil).

For the period ended June 30, 2025, 26,255,583 options and 50,430,032 warrants were exercisable and excluded from the calculation of diluted loss per share as the impact was anti-dilutive (June 30, 2024 - 12,868,595 options and 29,548,125 warrants and 46,498 RSU's were exercisable and excluded from the calculation). An additional 6,229,217 shares issuable on the conversion of the debentures were excluded from the calculation of diluted loss per share for the period ended June 30, 2025.

Semi-annual interest payments on the convertible debentures may be settled through the issuance of common shares at the Company's option. Such share issuance that may occur in future periods have been excluded from the calculation of diluted loss as the impact was anti-dilutive.

## 15. FINANCIAL INSTRUMENTS

### (a) Fair value

At June 30, 2025 and December 31, 2024, the carrying values of cash and cash equivalents, accounts-receivable, accounts payable and accrued liabilities and other payables 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.

The following table outlines the fair value hierarchy of the Company's financial instruments that are measured at fair value:

Instrument	Fair value hierarchy
Derivative asset	Level 2
Liability classified warrant	Level 2

The convertible debt and senior secured promissory notes are discounted using interest rates that approximate fair value rates that would be classified as level 2 in the fair value hierarchy.

### (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, 2025, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents and accounts receivable. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

The Company's credit risk from its outstanding trade receivables is mitigated by dealing with credit-worthy counterparties in accordance with established credit approval practices. The carrying amount of the Company's receivables represents the maximum counterparty credit exposure. As at June 30, 2025, the Company had significant concentration of credit risk with respect to accounts receivable. Approximately 57% of the Company's total account receivable was due from a single customer.

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The Company applies the simplified approach under IFRS 9 and calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, including risks associated with reaching commercialization and achieving revenue. To secure the additional capital necessary to pursue its plans, the Company intends to raise additional funds through equity or debt financing (note 1).

As at June 30, 2025, the Company had cash of \$3,564,050 and accounts payable of \$24,846,767 and accrued liabilities and other payables of \$2,021,931 due within one year.

The Company holds debentures, with a face value of \$14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of \$897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash.

The Company holds senior secured promissory notes, with a face value plus accrued interest of US\$73,017,750 (\$104,789,965) due between March 2028 to April 2028. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date.

The Company has a secured loan facility with a carrying amount of US\$8,000,000 (\$10,948,400) as at June 30, 2025. The facility bears interest at a rate of 14% annually with principal and accrued interest due on the maturity date.

***Market risk***

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

***Foreign exchange risk***

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At June 30, 2025, the Company had the equivalent of \$122,389,491 of net financial liabilities denominated in US dollars, \$1,278,884 of net financial liabilities denominated in Euros, and \$87,691 of net financial liabilities denominated in Australian Dollars.

The sensitivity of profit or loss to changes in exchange rate arises primarily from US dollar denominated financial liabilities. A one percent strengthening or weakening of the US dollar against the Canadian dollar as at June 30, 2025 would have had the following impact on the consolidated statement of comprehensive loss

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

	<i>Impact on consolidated statement of comprehensive loss</i>
USD/CAD exchange rate- increase 1%	894,268
USD/CAD exchange rate- decrease 1%	(894,268)

**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.

On March 12, 2025, the United States started applying a 25% tariff on imports of steel and aluminum products from all countries, including Canada. The impact of tariffs or other measures, once implemented, is subject to a number of factors, including the duration of such tariffs or measures, changes in the amount, scope and nature of the tariffs or measures in the future, any further countermeasures that may be taken (which could increase the cost or availability of materials for Exro or its clients), and any mitigating actions that may become available. The introduction of tariffs or non-tariff measures could cause some volatility for the Company and some purchased materials could be impacted, through price increases and/or reduced availability. Efforts would be made to mitigate these impacts by purchasing from alternative sources or by passing these escalated costs on to clients. Additionally, some clients could be impacted by tariffs or non-tariff measures, resulting in less spending by customers. Higher raw material costs brought about by tariffs or other measures, or delayed or cancelled projects could have a material adverse effect on the Company's future earnings and financial position.

**16. 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 delivery of its products, along with the acquisition and development of 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 deliver on its existing customer contracts, carry out planned development and pay for administrative costs, the Company will spend its existing working and raise additional funds. Management reviews its capital management approach on an ongoing basis taking into account economic conditions, risks that impact the operations, and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may issue new equity instruments or raise additional debt financing.

## 17. ACCOUNTS RECEIVABLE

The following table summarizes the Company's components of accounts receivable:

	June 30, 2025	December 31, 2024
Trade receivable	\$ 1,300,896	\$ 1,711,750
Other receivables	(62,648)	133,490
Allowance for doubtful accounts	(124,712)	(124,712)
	\$ 1,113,536	\$ 1,720,528

## 18. RESEARCH AND DEVELOPMENT

Costs incurred for research and development activities include materials, supplies and software expenses in order to complete testing over the Company's products. Additionally, the Company allocates payroll and consulting fees, and share-based payment expenses to research and development based on the time attributable to related activities.

The following table summarizes the Company's components of research and development expense:

	June 30, 2025	June 30, 2024
Research and development	\$ 412,502	\$ 2,760,491
Payroll and consulting fees	1,912,738	3,207,854
Share-based payments	112,472	34,051
	\$ 2,437,712	\$ 6,002,396

## 19. DISCONTINUED OPERATIONS

### Exro Vehicle Systems

During the year ended December 31 2024, the Company completed a disposition of assets within its Exro Vehicle Systems Inc entity, resulting in the discontinuation of operations and engineering services provided by the entity. The results of the Company's engineering services division have been presented as discontinued operations in the condensed consolidated interim statements of comprehensive loss for the three months ended June 30, 2025, and related prior year amounts have been revised accordingly.

During the period ended June 30, 2025, the Company recorded nil (June 30, 2024 - (\$2,311,384)) in revenue from discontinued operations and gross profit of nil (June 30, 2024 - \$775,679). Net income from discontinued operations in the period amounted to \$7,395 (June 30, 2024 - \$88,183). The Company recorded cash flow from operating activities of nil, cash flow from investing activities of nil and cash flow from financing activities of nil (June 30, 2024 - \$(60,684), \$114,316 and \$(102,683), respectively. Net cash flow for the period was nil (June 30, 2024 - \$64,028).

### APAC Operations

On May 15, 2025, the Company announced plans to wind down its APAC operations as part of its focus on core markets and capital efficiency.

As part of the strategic wind down, three subsidiaries SEA Electric Pty Ltd, SEA Electric Holdings and SEA Automotive Pty Ltd, (collectively the "Australian subsidiaries") were placed under voluntary administration on May 6 2025. On May 21 2025, SEA Electric Ltd ("SEA NZ") was similarly placed under voluntary

## Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars -Unaudited)

administration. As part of the process, an independent administrator was appointed to oversee the administration process of the Australian subsidiaries and SEA NZ. During the administration process the Company determined that control over the Australian subsidiaries, and its subsidiaries, was retained in accordance with IFRS 10 (note 2e).

On June 25, 2025, the Company executed a Deed of Company Arrangement ("DOCA"), through which the Company acquired certain assets from the Australian Subsidiaries under administration and completed a reorganization of its remaining subsidiaries and disposed of the Australian subsidiaries. Specifically, the Company retained the intellectual property previously held within the Australian subsidiaries and the assets and liabilities of SEA Electric LLC, SEA Electric ASIA Ltd, SEA Electric GmbH, and SEA Electric Limited (note 2d). The assets and liabilities of the entities retained have been recorded at fair value as at June 30, 2025 (note 8).

As at June 30, 2025, the operations of the Australian entities and the New Zealand entity have been classified as discontinued operations and the financial results included in results from discontinued operations. The assets and liabilities not expected to be recovered or settled were derecognized, resulting in a net gain on disposal of \$2.8 million, and net income from discontinued operations of \$0.8 million for the six months ended June 30, 2025.

The Company recognized restructuring costs of \$3.0 million in the period, which are comprised of expenses related to the wind down of the Company's Australian subsidiaries and SEA NZ, along with the ongoing strategic review process.

The following table summarizes the Company's financial results from APAC discontinued operations:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 10,597	\$ 600,172	\$ 379,126	\$ 600,172
Cost of sales	2,026	549,711	234,725	549,711
Inventory provision	—	—	863,321	—
<b>Gross Profit</b>	<b>\$ 8,571</b>	<b>\$ 50,461</b>	<b>\$ (718,920)</b>	<b>\$ 50,461</b>
<b>EXPENSES</b>				
Payroll and consulting	—	1,613,448	898,455	1,613,448
Selling, general and administration	—	442,895	96,675	442,895
Research and development	—	361,022	2,528	361,022
Depreciation expense	—	35,713	200,016	35,713
Interest expense	—	69,133	48,927	69,133
<b>TOTAL EXPENSES</b>	<b>\$ —</b>	<b>\$ (2,522,211)</b>	<b>\$ (1,246,601)</b>	<b>\$ (2,522,211)</b>
Other income	—	386	9,461	386
Gain on disposal of assets	2,784,618	—	2,787,321	—
Foreign exchange loss	—	(1,290)	—	(1,290)
<b>NET INCOME(LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>\$ 2,793,189</b>	<b>\$ (2,472,654)</b>	<b>\$ 831,261</b>	<b>\$ (2,472,654)</b>

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2025

(Expressed in Canadian dollars -Unaudited)

## Cash flows from discontinued operation

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Cash provided by (used in):				
Cash flows from operating activities	\$ 68,303	\$ (2,645,435)	\$ (783,670)	\$ (2,645,435)
Cash flows from (used in) investing activities	(175,214)	88,714	(175,214)	88,714
Cash flows from (used in) financing activities	(68,659)	2,672,633	514,938	2,672,633
Impact of foreign currency translation	9,300	(9,665)	(20,026)	(9,665)
<b>Net cash flow for the period</b>	<b>\$ (166,270)</b>	<b>\$ 106,247</b>	<b>\$ (463,972)</b>	<b>\$ 106,247</b>

## 20. COMMITMENTS AND CONTINGENCIES

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business.

The Company's CEO and board chair have been named as defendants in a threatened securities class action suit claiming damages for alleged misrepresentations by the Company in connection with its acquisition of Sea Electric during the year. The Company disputes the allegations contained in the claim and intends to defend the claim vigorously.

The Company is currently involved in an arbitration proceeding filed by a former consultant alleging breach of contract and claiming damages as a result of the alleged breach. The Company is assessing the matter in consultation with legal counsel.

Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

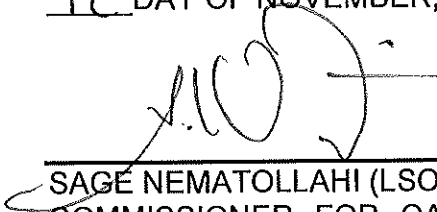
## 21. RELATED PARTY TRANSACTIONS

## Key Management Compensation

Key management personnel consist of officers and directors of the Company who are responsible for planning, directing and controlling the activities of the Company. The following table summarizes key management compensation, including compensation paid to companies that are controlled by the officers and directors:

	For the three months ended June 30		For the six months ended June 30,	
	2025	2024	2025	2024
Payroll and consulting fees	711,141	1,702,437	1,312,718	2,377,858
Share based payments	169,454	232,671	1,373,037	459,449
<b>Total</b>	<b>\$ 880,595</b>	<b>\$ 1,935,108</b>	<b>\$ 2,685,755</b>	<b>\$ 2,837,307</b>

THIS IS **EXHIBIT "P"** MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



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SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



## Exro Technologies Announces CEO Resignation, Appoints Chief Restructuring Officer

CALGARY, AB, Sept. 8, 2025 /CNW/ - Exro Technologies Inc. (TSX: EXRO) ("Exro" or the "Company") announces that Sue Ozdemir has resigned as Chief Executive Officer of the Company. Ms. Ozdemir will continue to serve as a director of Exro. The Company thanks Ms. Ozdemir for her service, and looks forward to her ongoing involvement with the Company as a member of its Board of Directors.

Exro's Board of Directors is actively seeking an Interim CEO. The Board has appointed Exro's Strategic Advisor, Chris Rankin, as Chief Restructuring Officer reporting directly to the Board of Directors.

Neither the Toronto Stock Exchange nor the Investment Industry Regulatory Organization of Canada accepts responsibility for the adequacy or accuracy of this press release.

† View original content to download multimedia:

<https://www.prnewswire.com/news-releases/exro-technologies-announces-ceo-resignation-appoints-chief-restructuring-officer-302548638.html>

SOURCE Exro Technologies Inc.

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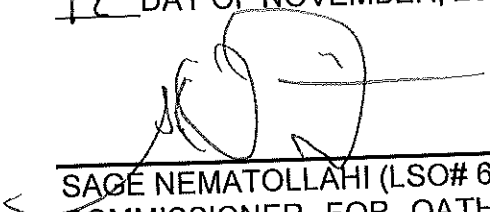
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**For further information:** Contact Information: Investor inquiries: [ir@exro.com](mailto:ir@exro.com), Media inquiries: [media@exro.com](mailto:media@exro.com)

CO: Exro Technologies Inc.

CNW 07:30e 08-SEP-25

THIS IS EXHIBIT "Q" MENTIONED  
AND REFERRED TO IN THE  
AFFIDAVIT OF MAX TROJAN,  
AFFIRMED BEFORE ME AT THE  
CITY OF TORONTO, IN THE  
PROVINCE OF ONTARIO, THIS  
12 DAY OF NOVEMBER, 2025.



SAGE NEMATOLLAHI (LSO# 62311B; LSBC# 517627)  
COMMISSIONER FOR OATHS IN  
AND FOR THE PROVINCES OF  
ONTARIO AND BRITISH COLUMBIA



## Exro Technologies Discontinues US Business

CALGARY, AB, Sept. 17, 2025 /CNW/ - Exro Technologies Inc. (TSX: EXRO) ("Exro" or the "Company") announces that after consultation with its advisors and stakeholders, the directors of the Company have decided to discontinue its US business, operated through various US subsidiaries, and is reducing its non-essential US staff accordingly.

It is anticipated that the Toronto Stock Exchange (the "TSX") will place the Company under delisting review and there can be no assurance as to the outcome of such review or the continued qualification for listing on the TSX.

Neither the Toronto Stock Exchange nor the Canadian Investment Regulatory Organization accepts responsibility for the adequacy or accuracy of this press release.

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<https://www.prnewswire.com/news-releases/exro-technologies-discontinues-us-business-302559586.html>

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**For further information:** Contact Information: Investor inquiries: [ir@exro.com](mailto:ir@exro.com); Media inquiries: [media@exro.com](mailto:media@exro.com)

CO: Exro Technologies Inc.

CNW 14:40e 17-SEP-25