



EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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, 2023, 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 September 30, 2023 and the December 31, 2022 audited consolidated financial statements and MD&A, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). 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 11. 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 9, 2023.

BUSINESS OVERVIEW

Exro Technologies Inc. is a leading clean technology company that develops new generation power control electronics that expands 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.

Exro Coil Driver™ – Elevating e-Mobility Through Enhanced Power Control

Electric motors fundamentally operate based on the orchestration of their coils. Traditionally, these coils operate in a fixed configuration, limiting the motor's operational versatility. The Coil Driver™ is Exro's innovative traction inverter solution that introduces dynamic power control to the equation.

At its essence, the Coil Driver™ offers individual coil-level control within an electric motor. This ability allows the motor to switch between different operational profiles in real-time, akin to having multiple gears in a traditional vehicle, but accomplished electronically. By doing so, it broadens the motor's operating range, allowing for enhanced performance and increased efficiency based on the demands of the application.

For manufacturers, the implications are substantial. The Coil Driver™ enables either a significant boost in performance for a minor cost increment, or the option to design systems that are more streamlined and cost-efficient without any compromise on their output capabilities.

Additionally, the Coil Driver™ simplifies the electrical infrastructure within electric vehicles. It merges the functionalities of multiple components, optimizing the system for reduced energy loss and offering design flexibility. This results in cost efficiencies and paves the way for a more accelerated transition towards electric mobility.

Exro's Cell Driver™ – Setting a New Paradigm in Energy Storage Solutions

The modern world's energy demands are rapidly evolving, with batteries playing a pivotal role in addressing these needs. As the reliance on batteries grows, especially in sectors like electric vehicles and telecommunications, the question of battery lifespan and reuse becomes paramount.

Exro's Cell Driver™ is designed to address this very challenge. Beyond its applications for new batteries, a distinctive feature of the Cell Driver™ is on 'second-life' battery applications. By rejuvenating and repurposing used batteries, the Cell Driver™ offers a sustainable and economically attractive alternative to discarding or recycling them.

The Cell Driver™ isn't merely a repurposing tool. It's a cutting-edge solution that dynamically monitors and controls batteries at the individual cell level. This granular control maximizes the storage and discharge efficiency of these batteries. Businesses and consumers can store excess energy when availability is high and draw from it during peak times, ensuring optimal cost efficiency and energy utilization.

The advent of the Cell Driver™ signifies a strategic shift in how we perceive and utilize energy storage. It presents an approach that is both environmentally conscious and strategically sound for meeting the ever-evolving energy demands.

INTELLECTUAL PROPERTY

Exro's technology and intellectual property are wholly owned in 16 patent families providing or seeking global protection in strategically important countries. Today there are 34 issued patents, 1 allowed patent application that will be issued shortly, 18 pending applications, and 6 applications in preparation.



PRODUCT SEGMENTS

To integrate its technology to different electric vehicle platforms, Exro has engaged multiple partners, some of which are defined and explained in the next section. This approach enables Exro to build the product portfolio that can serve as many product segments as possible. The table below outlines the Company’s product segments, and addressable markets.

Product Segments	Addressable Markets
Coil Driver™- Low-Voltage (LV) - 48 to 100V	Scooters; electric bikes; recreational; light electric cars; and motorcycles
Coil Driver™ - High-Voltage (HV) - 400 to 800V	Fleet Vans; electric buses; passenger vehicles; long-haul trucks; and industrial vehicles
Cell Driver™- Stationary Energy Storage	Commercial & Industrial energy storage applications

Go-to-Market Strategy

Exro’s business model is to develop partnerships with companies that are established in their respective markets, specifically those that welcome disruptive innovation in their product lines and have adequate internal engineering capacity, growing sales, and an existing customer base. These include companies that manufacture automotive equipment such as electric bikes, electric cars, and electric commercial vehicles. Manufacturers of electric motors, batteries, electric axles (“**e-Axles**”) also make ideal partners, since Exro’s patented technology and engineering capabilities act as the “intelligence” to enhance performance characteristics of overall power systems.

Exro has built a foundation of intellectual property in power electronics and intends to protect and commercialize new innovations in this space. It is Exro’s intent to manufacture its inverters at its low-volume manufacturing facility in Calgary and to license its technology where applicable for high-volume manufacturing. The Company will also consider joint ventures and engaging in manufacturing partnerships to accelerate supply to customers where necessary. Exro believes this business model is scalable, requiring much lower capital investment than building a full high-volume manufacturing business. This approach offers the opportunity to address several market segments concurrently, incrementally and in rapid succession by building on earlier success. Exro will work closely with development partners and customers to integrate its technology into their products and develop new intellectual property for Exro. As the Company continues to grow and evolve, so do our valued partnerships. The partner model includes four different types of partners that will encompass our current product roadmap and encourage continued versatility alongside new partners. The four partnership types are:

- Strategic Partners
- Commercial Partners
- Motor Partners; and
- Distribution Partners for energy storage

Strategic Partners are focused on potential high-volume production and hold the potential to amplify our market presence through their customer network. This partner may start in development phase and progress to operating application validation for long-term serial production. This partnership is ideal for revenue models surrounding high-volume contracts, licensing, or contract manufacturing. An example of this would be our partnership with Linamar Corporation (“**Linamar**”) as we co-develop an e-Axle that will enable Exro’s automotive strategy. Linamar is a leading Tier-1 manufacturer of advanced mobility solutions for the automotive industry with customers that include top automotive manufacturers, commercial vehicle manufacturers and multinational delivery services companies.

Commercial Partners are interested in becoming customers for Exro’s commercialized products but first require validated integration of our technology within their applications. In some cases, this might require meeting highly regulated auto industry standards. The objective of this kind of partnership is the delivery of purchase orders for low-volume production of Exro products after successful integration. An example of a Commercial Partnership we have today is SEA Electric (“**SEA**”), as we integrate the Coil Driver™ into SEA commercial trucks to enhance performance.

Motor Partners will be an integral part of accelerating the delivery of our Coil Driver™ to market by enabling system solutions for each segment of our product line. These partners will work with us to develop an optimized motor to integrate with our Coil Driver™ and provide a packaged motor and inverter system solution we can deliver to specific applications or market segments.

Distribution Partners are key in supporting Exro’s go-to-market strategy for our Cell Driver™ stationary energy storage system for the commercial and industrial market. The Company intends to partner with leading clean energy integrators that provide expertise and scalability to accelerate market penetration and deployment. Underwriters Laboratories’ (“**UL**”) Certification, required to connect to the North American power grid, is anticipated to be complete in Q4 2023, previously anticipated in Q3, and dependent on scheduling at UL’s certification laboratories. Certification will be followed by the start of series production for Cell Driver™ beginning with in-field



pilots and initial customer deliveries. In parallel with the UL testing and certification process, Exro continues commercialization and marketing efforts in alignment with system certification.

2023 SCORECARD CHECK-IN

In January, Exro kicked-off its launch year with a Q1 Letter to Shareholders which outlined its strategic objectives for 2023. The purpose in setting these objectives was to continue transparency to investors while aligning with what management believes are demonstrable value drivers for the Company's shareholders. A status update on these objectives is included below:

1. *Signing additional Coil Driver™ strategic partners that amplify its market presence.* In Q1 2023, Exro announced signing a partnership with a global European-based tier-1 OEM automotive supplier. Currently under a non-disclosure agreement ("NDA"), Exro received motors from its partner in early Q4 2023, and anticipates testing to be completed in 2023. Following successful testing it is anticipated the identity of the 25,000+ employee partner will be announced along with commercialization plans. In Q2 2023, Exro announced signing the world's third largest motor manufacturer, Wolong Electric Group, as a strategic partner. Exro received the initial batch of motors for pairing with Exro Coil Driver™ and testing in Q4 2023. The Company remains on track with dynamometer testing. Additionally, Exro announced an innovation agreement with a Major Global Automaker, to mutually explore powertrain innovations in the Company's electric passenger vehicles utilizing Exro's advanced power electronics technology. The Parties anticipate completion on the design of the proof-of-concept Coil Driver™ plus optimized motor system by the end of Q4 2023 that demonstrate improved continuous torque and performance, followed by delivery of functional prototypes to the OEM by the end of Q4 2024.
2. *Delivery of low-voltage and high-voltage design-for-manufacture (DFM) samples for customer validation.* On March 25, 2023, Exro delivered an initial batch of low-voltage DFM samples to Italian OEM supplier and partner HB4. These samples have been integrated into vehicles (a truck and passenger car) and showcased in recent European trade shows. Exro launched Coil Driver™ production in September 2023, which included further deliveries to HB4 in Italy. Exro has shipped an initial batch of L040 800V Coil Drivers™ samples to an NDA customer in Brazil, and is providing integration support into vehicles destined for a large global beverage company. The Company's project with SEA Electric is coming to the final test stages and set to complete track testing by early December. Exro successfully launched its first successful electric bus with Vicinity Motors at the APTA show in Orlando, Florida. The Company is on track to deliver its first batch of Coil Drivers™ to Vicinity for bus applications across North America by the end of November 2023.
3. *Delivery of 48V hybrid-diesel samples to our European off-highway NDA-partner in Q1.* This project includes two NDA's under one umbrella partnership – one is a large European OEM which supplies vehicles for off-highway applications, the second is a large European-based motor supplier. As previously announced, NDA partner timing bumped sample delivery into Q2 2023. Integration of the partner motor-Exro inverter solution for the OEM's hybrid-diesel platform was completed in Q2, and Exro's team successfully completed phase 1 testing in Q3 2023. On successful customer validation, the development agreement is anticipated to transition to a series production agreement for 8,000-10,000+ Coil Driver™ units annually.
4. *Signing additional multi-year commercial agreements that build our Coil Driver™ order back-log.* Exro has built back-log to date through orders announced with HB4, Vicinity, and SEA Electric, supported by additional pilots in place. Following customer vehicle integration and in-field validation, it is anticipated discussions will translate into supply agreements in the near term and into 2024.
5. *Work through phase-2 validation and towards commercialization agreement with Linamar.* In May, Exro announced the signing of a definitive commercialization agreement following the successful validation by Linamar of the parties' co-developed integrated e-Axle utilizing Exro's coil Driver™ traction inverter. The agreement is set for an initial five-year term, with parties committing to milestones and commercial volume targets. In accordance with the agreement, by early 2024 the parties intend to have completed a demonstration vehicle equipped with an e-beam axle and high-voltage Coil Driver™. Integration is underway at Exro Vehicle Systems in Detroit, with the vehicle intended to be co-marketed to potential customers in early 2024.
6. *Growing contract services for software engineering and vehicle integration through Exro Vehicle Systems.* 2023 continues to be a successful year for Exro Vehicle Systems, having delivered on multiple projects to customers, and generating revenue of \$4,800,730 for the nine months ended September 30, 2023.
7. *Achieve Cell Driver™ UL Certification in Q2.* As previously announced, Exro's Cell Driver™ Energy Storage System has successfully completed two of the three major certification phases. In Q3 2023, the Company completed energy management system certification, and is on track for certification in Q4 2023, updated from Q3 2023 due to scheduling delays at UL's certification laboratories. UL certification is required prior to connecting to the grid in North America.
8. *Signing US Cell Driver™ distribution and installer partnerships and build order back-log.* In Q1 2023, Exro announced a distribution partnership with Greentech Renewables Southwest, the largest distributor of renewable energy products in the southwestern United States with more than 80 sales centers. In Q2 2023, Exro named Re:Build Manufacturing as exclusive manufacturing partner for the Company's Cell Driver cabinets along with four new channel sales partnerships: Photovoltaics California, ProSolar, Shaw Solar, and High Point Electric which provide access to customer networks in California, Colorado, Florida, the Caribbean, and regions within Canada. Channel partners are being trained on Cell Driver™ and are currently marketing and quoting the technology with solar energy, electric vehicle charging infrastructure and energy management



projects. Following UL certification, Exro anticipates technology deployment with initial customer deliveries and in-field pilots to demonstrate and collect "real-world" data.

9. *Achieve first deliveries and revenues for Coil Driver™ and Cell Driver™ products in Q3.* Coil Driver™ was completed with first deliveries in Q3 2023 and first revenues expected in Q4 2023. Cell Driver™ first deliveries and revenues are impacted by the UL certification timelines discussed. The Company expects to deliver Cell Driver™ and revenues in the first half of 2024.
10. *Continue to evaluate market conditions for a Nasdaq up list.* The Company remains committed to an eventual up list and will do so when it deems an opportune time and in the best interest of shareholders.

HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

On July 13, 2023 Exro announced a non-exclusive innovation agreement with a Major Automaker to mutually explore powertrain innovations in the Company's electric passenger vehicles utilizing Exro's advanced power electronics technology. The purpose of the collaboration is to determine the performance Exro's Coil Driver™ product for improving continuous power and torque output of the powertrain in the OEM's vehicle. Under the terms of the agreement, the Parties will work together to design a proof-of-concept Coil Driver™ plus motor system. The Parties anticipate completion on the design of the proof-of-concept Coil Driver™ plus optimized motor system by the end of Q4 2023, followed by delivery of functional prototypes to the OEM by the end of Q4 2024. The prototypes are then expected to enter a period of testing, including performance, durability, and reliability while determining next steps.

On August 22, 2023 Exro announced a milestone achievement with certification of its Cell Driver™ battery modules to the UL 1973 standard. UL 1973 is an industry standard for stationary energy storage systems which confirms Exro's modules' quality, resilience, and ability to operate safely and effectively in a variety of conditions. With successful completion of UL 1973, the Cell Driver™ has moved to the final phase of testing requirements for UL certification. UL certification is required prior to connecting the Cell Driver™ to the utility grid in North America.

On August 22, 2023 Exro also announced it is now patent protected in relation to a key differentiating feature within its Cell Driver™ Energy Storage System (ESS) with the recent grant of patent #US11,708,005 B2, "Systems and Methods for Individual Control of a Plurality of Battery Cells". Exro's patent supports cell level control, resulting in superior charging, deeper discharge rates, enhanced safety, and continuous operation. This enables commercial and industrial buildings to manage energy consumption, safeguard against grid outages, store energy produced on-site, and realize benefits through peak shaving and load shifting.

On September 6, 2023 Exro announced the official start of production ("SOP") of the company's patented Coil Driver™ technology. The milestone is backed by purchase orders from Italian OEM supplier HB4 Group and Canadian electric bus and commercial vehicle manufacturer Vicinity Motor Corp (NASDAQ: VEV) (TSXV: VMC) ("VMC").

RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

Selected quarterly financial data

	Quarter Ended	Revenue	Net Loss	Basic and diluted loss per common shares	Weighted average number of common shares
Q3	September 30, 2023	2,032,669	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	2,443,292	(12,995,906)	(0.08)	158,685,036
Q1	March 31, 2023	324,769	(8,163,404)	(0.05)	149,820,687
Q4	December 31, 2022	1,807,859	(12,880,152)	(0.08)	146,217,420
Q3	September 30, 2022	131,251	(8,134,896)	(0.06)	139,112,088
Q2	June 30, 2022	142,260	(8,894,095)	(0.07)	133,950,067
Q1	March 31, 2022	104,260	(10,115,769)	(0.08)	131,280,873
Q4	December 31, 2021	—	(6,537,368)	(0.06)	120,889,967

The Company continues to incur expenses in the development and validation of its Coil Driver™ and Cell Driver™ in order to reach commercialization, offset by revenues earned through engineering services agreements. In addition the increased operating loss is impacted by the increase in overall headcount to support the growing operations as the Company progresses through the development phase of its products, and into commercialization.

For the three months ended September 30, 2023, compared to the three months ended September 30, 2022

The Company incurred a net loss of \$10,694,314 for the three months ended September 30, 2023 compared to \$8,134,896 for the three months ended September 30, 2022. The change in net loss is primarily related to an increase in research and development activities, increase in share-based payments, and higher interest expense for the three months ended September 30, 2023, offset by an increase in revenue earned in the period in addition to decreases in selling, general and administrative expenses for the three months ended September 30, 2023.



Revenue

	For the three months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Revenue	2,032,669	131,251	1,901,418	1,449 %
Cost of Sales	959,594	117,772	841,822	715 %
Gross margin	1,073,075	13,479	1,059,596	7,861 %

Revenue of \$2,032,669 (September 30, 2022 – \$131,251) was related to engineering services agreements completed during the three months ended September 30, 2023. 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.

Cost of sales increased from \$117,772 to \$959,594 for the three months ended September 30, 2023. The increase is related to the completion of contracts in the period, where costs were previously recorded as work in progress. Cost of sales consists of labor, materials, and direct and indirect overhead amounts allocated based on direct labor hours required to complete customer deliverables.

Selling, general and administration

	For the three months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Selling, general and administration	2,533,045	2,696,853	(163,808)	(6)%

Selling, general and administration expense decreased during the three months ended September 30, 2023 by \$163,808 to \$2,533,045 (September 30, 2022 – \$2,696,853). The decrease is primarily attributable to:

- Decrease related to marketing and promotional activities, such as trade shows and advertising as compared to the same period in 2023;
- Lower professional fees in the period, largely related to a decrease in legal costs incurred in 2023;
- Focused decrease on travel and entertainment costs for the three months ended September 30, 2023;
- Offset by higher software and licenses cost related to the development and validation of Exro's products for the three months ended September 30, 2023. Higher headcount of both Engineering Services team, and Software and Engineering teams, requiring additional licenses compared to the same period in 2022.

Payroll and consulting

	For the three months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Payroll and consulting fees	3,900,282	4,036,927	(136,645)	(3)%

Payroll and consulting fees decreased during the three months ended September 30, 2023 by \$136,645 to \$3,900,282 (September 30, 2022 – \$4,036,927) related primarily to the decrease in bonus expense for the three month period ended September 30, 2023 compared to the same period in 2022, and a decrease in consulting spend in 2023.

The Company allocates labor directly attributable to engineering services based on hours incurred on each project to work in progress inventory, or capital assets based on the nature of the project. Additionally the Company expenses labor incurred for the development and validation of Exro's products to research and development.

Research and development

	For the three months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Research and development	1,533,142	574,968	958,174	167 %
Payroll and consulting fees	1,521,446	1,109,769	411,677	37 %
Share-based payments	174,020	148,104	25,916	17 %
Research and development	3,228,608	1,832,841	1,395,767	76 %



Research and development costs increased by \$1,395,767 to \$3,228,608 (September 30, 2022 – \$1,832,841) for the three months ended September 30, 2023. These costs primarily consist of engineering resources, consulting, and materials to drive development of the Company's technologies to product. 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. The increase in expense related to payroll and consulting fees is a result of higher headcount in September 30, 2023 in order to deliver on the Company's projects and partnerships in order to reach commercialization; and
- Increase in direct research and development costs is linked to increased testing costs for UL certification of the Company's Cell Driver™, in addition to higher material costs allocated to research and development in the period as the Company continues to deliver sample units.

For the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022

Revenue

	For the nine months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Revenue	4,800,730	377,589	4,423,141	1,171 %
Cost of Sales	2,508,252	258,195	2,250,057	871 %
Gross margin	2,292,478	119,394	2,173,084	1,820 %

Revenue of \$4,800,730 (September 30, 2022 – \$377,589) was related to engineering services agreements entered into in 2022 and during the nine months ended September 30, 2023. 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.

Cost of sales increased from \$258,195 to \$2,508,252 for the nine months ended September 30, 2023. The increase is related to the completion of contracts in the period, where costs were previously recorded as work in progress. Cost of sales consists of labor, materials, and direct and indirect overhead amounts allocated based on direct labor hours required to complete customer deliverables.

Selling, general and administration

	For the nine months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Selling, general and administration	7,183,330	8,520,678	(1,337,348)	(16)%

Selling, general and administration expense decreased during the nine months ended September 30, 2023 by \$1,337,348 to \$7,183,330 (September 30, 2022 – \$8,520,678). The decrease is primarily attributable to:

- Lower spend on advertising and promotions, compared to the same period in 2022 primarily relating to trade shows; and
- Decrease in professional fees, primarily related to legal and litigation related expenses in 2023, for the same period in 2022;
- Offset by higher spend for the nine months ended September 30, 2023 on software and license costs linked to the increase in headcount.

Payroll and consulting

	For the nine months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Payroll and consulting fees	12,195,221	10,107,960	2,087,261	21 %

Payroll and consulting fees increased during the nine months ended September 30, 2023 by \$2,087,261 to \$12,195,221 (September 30, 2022 – \$10,107,960) as a result of a continued increase in the employee headcount to support the Company's ongoing projects with its strategic, commercial, motor and distribution partners. The increase was partially offset by a decrease in consulting expenses incurred for the same period in 2023. The Company has also invested additional resources in the period related to its software and engineering teams to support design for manufacturing process.

The Company allocates labor directly attributable to engineering services based on hours incurred on each project to work in progress inventory, or capital assets based on the nature of the project. Additionally, the Company expenses labor incurred for the development and validation of Exro's products to research and development.



Research and development

	For the nine months ended		\$ Change	% Change
	September 30, 2023	September 30, 2022		
Research and development	3,510,267	2,247,709	1,262,558	56 %
Payroll and consulting fees	4,330,512	3,270,309	1,060,203	32 %
Share-based payments	510,280	601,935	(91,655)	(15)%
Research and development	8,351,059	6,119,953	2,231,106	36 %

Research and development costs increased by \$2,231,106 to \$8,351,059 (September 30, 2022 – \$6,119,953) for the nine months ended September 30, 2023. These costs primarily consist of engineering resources, consulting, and materials to drive development of 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. The increase in expense related to payroll and consulting fees is a result of higher headcount compared to the same period in 2022 in order to deliver on the Company's projects and partnerships in order to reach commercialization; and
- Increase in research and development costs relates to higher utilization of materials, including consumption of inventory into research and development projects, delivery of sample units to customers for testing, and testing costs related to UL certification of the Cell Driver™ not incurred in the comparative period.

OUTSTANDING SHARE DATA

As of November 9, 2023, there were 169,342,274 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of November 9, 2023	Number outstanding as of September 30, 2023
Common shares issued and outstanding	169,342,274	168,950,202
Options	10,826,730	11,101,350
Warrants	16,355,283	16,355,283
RSUs	94,810	212,262
PSUs	708,750	708,750

SOURCES AND USES OF CASH

	For the nine months ended	
	September 30, 2023	September 30, 2022
Cash used in operating activities	(31,073,263)	(22,578,537)
Cash used in investing activities	(6,305,603)	(7,778,832)
Cash provided by financing activities	39,742,868	28,913,885
Impact of foreign currency translation	(107,151)	(791,245)
Net increase (decrease) in cash and cash equivalents	2,256,851	(2,234,729)
Ending cash balance	19,700,822	13,114,483

Cash used in operating activities increased to \$31,073,263 for the nine months ended September 30, 2023 compared to \$22,578,537 during the same period in 2022. The increase in cash used in operating activities was driven by the increase in working capital deployed, primarily related to the repayment of accounts payable during the period, purchase of inventory, and increase in prepaid expenses in the period largely related to deposits paid in the period for assets to be delivered later in the year.

Cash used in investing activities of \$6,305,603 for the nine months ended September 30, 2023 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, 2023 increased to \$39,742,868 compared to \$28,913,885 during the same period in 2022. The Company received proceeds from the exercise of stock options and warrants of \$585,497 and \$7,701,540, respectively, and closed on a bought deal financing for gross proceeds of \$34,931,251 in the period.



LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company had cash and cash equivalents of \$19,700,822 and accounts receivable of \$563,837. The Company had accounts payable and accrued liabilities of \$4,701,075.

The Company intends to finance its future requirements related to anticipated project costs and daily operating costs through a combination of existing working capital surplus, debt and/or equity issuance.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated substantial revenues and has incurred substantial losses to date. The ability for the Company to continue as a going concern is dependent on the Company's ability raise capital for research and development activities and to achieve product commercialization and series production.

The Company plans to fill the production capacity at its Calgary, Alberta automotive manufacturing facility by building on the non-binding purchase orders entered into to date for its proprietary Coil Driver™. In addition the Company has entered into distribution agreements for its Cell Driver™, and expects to generate continued revenue from its services division.

The Company is largely dependent upon external financings to fund its activities. In order to carry out planned development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed through, but not limited to, accessing capital markets, lease financing and debt agreements. There is no guarantee these plans will be successful.

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 that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the three and nine months ended September 30, 2023.

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. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.
- iii. 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.
- iv. Judgments are made in determining the fair value of share-based payments which includes making estimates of the likelihood of certain milestones being met.
- v. Judgments are made in determining the appropriate incremental borrowing rate to estimate lease liabilities and evaluating whether or not the Company is reasonably certain to exercise renewal options.
- vi. 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.
- vii. 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.

ESTIMATION UNCERTAINTY

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

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

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

- ii. 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. The carrying amount of nil for intangible assets does not necessarily reflect present or future value and the ultimate amount recoverable will be dependent upon the successful commercialization of products based on these underlying technologies.

PROPOSED TRANSACTIONS

There are no proposed transactions.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

APPROVAL

The Company's Board of Directors has approved the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2023. 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, 2023 and September 30, 2022, the following expenses were incurred to the Company's key management:

	For the three months ended		For the nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Payroll and consulting fees	1,203,507	1,052,457	2,686,183	2,195,673
Share-based payments	1,653,591	328,238	2,878,138	1,106,810
	2,857,098	1,380,695	5,564,321	3,302,483

FINANCIAL INSTRUMENTS

(a) Fair value

At September 30, 2023 and September 30, 2022, 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 fair value of the investments in private companies represents a level 3 instrument based on the change in observable inputs available as at September 30, 2023.

(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, 2023, 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 (note 1).

As at September 30, 2023, the Company had cash of \$19,700,822 and accounts payable and accrued liabilities of \$4,701,075. As at September 30, 2023, the Company had \$6,953 in accounts payable and accrued liabilities over 90 days.

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.

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, 2023, the Company had the equivalent of \$10,281,362 of net financial assets denominated in US dollars, \$42,282 of net financial liabilities denominated in Euros, and \$2,832 of net financial liabilities denominated in Great Britain Pounds.

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 has exposure to other price risk through its investment in SEA Electric. Changes in the expected share price will impact the fair value of the investment in the Company. A US\$1.00 change in the share price would result in a gain/loss of US\$124,380.

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.

There were no changes in the Company's DC&P during the period ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, the Company's DC&P.

Internal Controls Over Financial Reporting

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

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
2. 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
3. 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.

There were no changes in the Company's ICFR during the period ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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 2022 Annual Information Form filed on SEDAR+ (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 November 9, 2023 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.

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; 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 2023 Annual Information Form available on SEDAR+ at 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 9, 2023