



**Condensed Consolidated Interim Financial Statements**  
**As at and for the three and six months ended June 30, 2024**

(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, 2024	December 31, 2023
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,040,191	\$ 6,241,176
Accounts receivable	17	1,553,475	4,233,672
Prepaid expense		4,107,078	1,348,321
Inventory	10	32,222,174	6,665,963
<b>Total current assets</b>		<b>39,922,918</b>	<b>18,489,132</b>
Investment	7	—	8,357,423
Property, plant, and equipment	8	33,332,823	32,079,698
Intangible assets	9	186,605,251	—
Goodwill	9	141,760,111	—
Derivative asset	13	930,208	1,217,346
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>402,551,311</b>	<b>\$ 60,143,599</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	18	\$ 32,505,521	\$ 8,629,951
Unearned revenue	6	6,917,454	—
Lease liability – current portion	11	1,741,248	1,555,270
Senior secured convertible promissory note	12	75,817,790	—
Liability classified warrant	12	4,673,640	—
<b>Total current liabilities</b>		<b>121,655,653</b>	<b>10,185,221</b>
Long-term debt		120,461	50,000
Lease liability – long-term portion	11	5,661,632	5,248,178
Convertible debentures	13	12,414,353	12,089,076
Warranty provision		1,186,537	—
Deferred tax liability	9	12,185,563	—
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>153,224,199</b>	<b>\$ 27,572,475</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	395,974,335	154,354,940
Contributed surplus		39,410,058	28,768,802
Equity component of convertible debentures	13	991,295	991,295
Deficit		(189,539,105)	(151,464,762)
Accumulated other comprehensive gain (loss)		2,490,529	(79,151)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b>249,327,112</b>	<b>\$ 32,571,124</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b>402,551,311</b>	<b>\$ 60,143,599</b>

**Going concern** (note 1)

**Commitments and contingencies** (note 21)

**Subsequent events** (note 22)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 14, 2024. They are signed on the Company's behalf by:

"Rod Copes"

Director

"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)*

	Note	For the three months ended June 30,		For the six months ended June 30,	
		2024	2023	2024	2023
		<i>(restated - note 20)</i>		<i>(restated - note 20)</i>	
Revenue	6	\$ 5,270,259	\$ —	\$ 5,358,087	\$ —
Cost of Sales		8,033,627	—	8,174,144	—
<b>GROSS PROFIT</b>		<b>\$ (2,763,368)</b>	<b>\$ —</b>	<b>\$ (2,816,057)</b>	<b>\$ —</b>
<b>EXPENSES</b>					
Payroll and consulting		8,677,384	4,143,621	12,296,817	7,668,138
Depreciation expense	8, 9	10,846,820	645,247	11,720,934	1,231,102
Selling, general and administration		5,168,782	3,314,989	7,585,757	4,903,998
Research and development	19	3,114,306	3,044,025	6,363,418	4,861,513
Transaction Costs		2,494,517	—	4,571,662	—
Interest expense	13	774,325	634,812	1,472,123	1,335,780
Share-based payments	14	1,122,365	961,538	1,465,867	1,227,032
Loss on disposal of assets		—	—	—	96,844
<b>TOTAL EXPENSES</b>		<b>\$ (32,198,499)</b>	<b>\$ (12,744,232)</b>	<b>\$ (45,476,578)</b>	<b>\$ (21,324,407)</b>
Loss on investment	7	(667,558)	—	(1,570,796)	—
Change in fair value of derivative asset	13	(829,102)	—	(287,138)	586,788
Change in fair value of promissory note	12	8,735,756	—	8,735,756	—
Change in fair value of liability classified warrant	12	2,157,853	—	2,157,853	—
Foreign exchange gain (loss)		(358,788)	(723,651)	286,454	(792,988)
Other income (expense)		10,039	(956)	172,443	31,781
<b>Net loss before tax from continuing</b>		<b>\$ (25,913,667)</b>	<b>\$ (13,468,839)</b>	<b>\$ (38,798,063)</b>	<b>\$ (21,498,826)</b>
Deferred tax recovery		635,537	—	635,537	—
<b>Net loss from continuing operations</b>		<b>\$ (25,278,130)</b>	<b>\$ (13,468,839)</b>	<b>\$ (38,162,526)</b>	<b>\$ (21,498,826)</b>
<b>Net income from discontinued operations</b>	<b>20</b>	<b>\$ 71,021</b>	<b>\$ 472,933</b>	<b>\$ 88,183</b>	<b>\$ 339,516</b>
<b>NET LOSS</b>		<b>\$ (25,207,109)</b>	<b>\$ (12,995,906)</b>	<b>\$ (38,074,343)</b>	<b>\$ (21,159,310)</b>
Items that may be subsequently reclassified to earnings:					
Gain on translation of foreign currency		2,987,002	346,523	2,569,680	397,966
<b>OTHER COMPREHENSIVE LOSS</b>		<b>\$ (22,220,107)</b>	<b>\$ (12,649,383)</b>	<b>\$ (35,504,663)</b>	<b>\$ (20,761,344)</b>
Net loss per share - basic and diluted	14	\$ (0.05)	\$ (0.08)	\$ (0.12)	\$ (0.14)
Weighted average number of common shares outstanding		490,157,725	158,685,036	330,117,794	154,277,348

See accompanying notes to the condensed consolidated interim financial statements

**Exro Technologies Inc.**  
**Condensed Consolidated Interim Statements of Shareholders' Equity**  
*(Expressed in Canadian dollars - Unaudited)*

	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	14	15,525,000	—	32,514,839	—	—	—	—	32,514,839
Shares issued for interest	14	422,533	—	899,995	—	—	—	—	899,995
Shares issued on exercise of options	14	565,210	—	826,952	(359,885)	—	—	—	467,067
Shares issued on exercise of warrants	14	5,280,736	—	8,751,275	(1,277,808)	—	—	—	7,473,467
Share-based payments	14	—	—	—	1,563,292	—	—	—	1,563,292
Net loss		—	—	—	—	—	(21,159,310)	—	(21,159,310)
Other comprehensive loss		—	—	—	—	—	—	397,966	397,966
<b>Balance, June 30, 2023</b>		<b>168,627,709</b>	<b>—</b>	<b>\$ 152,537,746</b>	<b>\$ 26,204,129</b>	<b>\$ 994,610</b>	<b>\$ (122,000,902)</b>	<b>\$ (161,157)</b>	<b>\$ 57,574,426</b>
<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	31,600,000	—	27,439,216	—	—	—	—	27,439,216
Shares issued for interest	14	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	14	—	—	—	1,499,918	—	—	—	1,499,918
Net loss		—	—	—	—	—	(38,074,343)	—	(38,074,343)
Other comprehensive loss		—	—	—	—	—	—	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>

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)*

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2024	2023	2024	2023
<b>OPERATING ACTIVITIES</b>					
Net loss for the period		\$ (25,207,109)	\$ (12,995,906)	\$ (38,074,343)	\$ (21,159,310)
Items not involving cash:					
Depreciation	8, 9	10,976,636	766,575	11,982,867	1,492,465
Share-based payments	14	1,156,416	1,249,103	1,499,918	1,563,292
Non-cash interest	13	594,363	605,766	1,194,422	1,209,832
Loss (gain) on disposal of assets	20	(100,100)	—	(100,100)	96,844
Unrealized loss on investments	7	667,558	—	1,570,796	—
Unrealized foreign exchange loss		800,816	222,252	625,646	257,158
Change in fair value of derivative asset	13	829,102	—	287,138	(586,788)
Change in fair value of promissory note	12	(8,735,756)	—	(8,735,756)	—
Change in fair value of liability classified warrant	12	(2,157,853)	—	(2,157,853)	—
Deferred tax recovery		(635,537)	—	(635,537)	—
Changes in non-cash working capital items:					
Accounts receivable		1,119,523	89,821	3,930,367	618,643
Prepaid expenses		(106,215)	(981,021)	490,513	(1,035,689)
Accounts payable and accrued liabilities		(5,685,213)	1,653,536	(1,887,537)	(99,256)
Inventory		57,286	279,009	(13,653)	(639,186)
Unearned revenue		92,811	(196,147)	347,653	690,564
Warranty provision		69,926	—	69,926	—
<b>Cash used in operating activities</b>		<b>\$ (26,263,346)</b>	<b>\$ (9,307,012)</b>	<b>\$ (29,605,533)</b>	<b>\$ (17,591,431)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of equipment	8	(323,823)	(1,348,180)	(1,082,154)	(3,540,417)
Proceeds from sale of assets		186,202	—	186,202	—
Change in non-cash working capital		(205,427)	(402,937)	(234,574)	(1,725,856)
<b>Cash used in investing activities</b>		<b>\$ (343,048)</b>	<b>\$ (1,751,117)</b>	<b>\$ (1,130,526)</b>	<b>\$ (5,266,273)</b>
<b>FINANCING ACTIVITIES</b>					
Cash acquired on acquisition	5	685,261	—	685,261	—
Proceeds from financings	14	30,020,000	34,931,251	30,020,000	34,931,251
Share issue cost		(2,504,702)	(2,416,412)	(2,580,784)	(2,416,412)
Proceeds from exercise of options	14	—	235,782	41,000	467,067
Proceeds from exercise of warrants	14	—	818,138	—	7,473,467
Principal repayments of lease liability	11	(527,940)	(232,806)	(791,347)	(447,587)
Repayment of debt		—	—	(40,000)	—
Change in non-cash working capital		136,319	178,850	(32,224)	(112,423)
<b>Cash provided by financing activities</b>		<b>\$ 27,808,938</b>	<b>\$ 33,514,803</b>	<b>\$ 27,301,906</b>	<b>\$ 39,895,363</b>
Impact of foreign currency translation		(219,927)	418,986	(766,832)	485,014
Decrease in cash and cash equivalents		982,617	22,875,660	(4,200,985)	17,522,673
Cash and cash equivalents, beginning of the period		1,057,574	12,090,984	6,241,176	17,443,971
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 2,040,191</b>	<b>\$ 34,966,644</b>	<b>\$ 2,040,191</b>	<b>\$ 34,966,644</b>

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 providing motor-control and complete electric propulsion system technology for the e-mobility sector through the delivery of its proprietary Coil Driver™ and SEA Drive®.

### **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”) (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.

Subsequent to June 30, 2024 the Company restructured the senior secured convertible promissory notes (note 22), 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.

**Exro Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As at and for the three months ended June 30, 2024**  
*(Expressed in Canadian dollars - Unaudited)*

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**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 annual financial statements and should be read in conjunction with the Company's audited annual financial statements of Exro for the fiscal year ended December 31, 2023, which have been prepared in compliance with International Financial Reporting Standards as issued by the 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, 2023, except for those disclosed in note 3 to the condensed consolidated interim financial statements.

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.

**(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 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.

<b>Subsidiaries</b>	<b>Location of Operations</b>	<b>Percent Ownership</b>	<b>Functional Currency</b>
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 Vans Latrobe Valley Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Electric Pty Ltd	Melbourne, Australia	100%	Australian Dollar

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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

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**(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 condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The significant judgments 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, 2023, except for those described below.

**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 condensed consolidated interim financial statements:

**a. 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:

**a. 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.



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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.

**b. 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 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.

**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 annual financial statements for the fiscal year-ended December 31, 2023, except for those described below.

**(a) 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 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.

**(b) 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 an operating segment level by combining the carrying amounts of intangible assets, PP&E, and goodwill and comparing this 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. Goodwill impairments are not reversed.

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.

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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
- brand 5 years

The Company has elected to amortize its acquired intangible assets over a period of five years. The amortization methods, useful lives, and residual values are reviewed at each reporting period, and adjusted if appropriate.

**(c) Impairment of intangible assets and goodwill**

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 cash-generating unit ("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.

**(d) 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 are of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic are of operations; or
- is a subsidiary exclusively acquired with a view to resale

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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

When an operation is classified as a discontinued operation, the comparative statement of comprehensive loss and other comprehensive loss is re-presented as if the operation has been discontinued from the start of the comparative period.

**(e) 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.

**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. 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 currently assessing the impact of this standard.

**5. BUSINESS COMBINATIONS**

*SEA Electric Inc.*

Effective April 5, 2024, Exro acquired all of the issued an 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-

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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 of SEA Electric expands Exro's technology footprint, providing a strategic alignment between SEA's proprietary propulsion system and Exro's Coil Driver™, creating a fully integrated next generation power systems provider.

The acquisition has been accounted for by the acquisition method, and results of operations have been included in these Condensed Consolidated Interim Financial Statements from the date of acquisition. The goodwill acquired in this 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.

	<b>April 5, 2024</b>
<b>Assets acquired:</b>	
Accounts receivable	\$ 1,167,240
Prepaid expense	3,229,050
Inventory	25,297,571
Property, plant and equipment	3,609,188
Intangible assets	194,469,198
Goodwill	140,347,477
<b>Total assets acquired</b>	<b>\$ 368,119,724</b>
<b>Liabilities assumed:</b>	
Accounts payable and accrued liabilities	\$ 25,757,503
Unearned revenue	6,499,085
Long term debt	137,207
Lease liability	2,677,710
Warranty Provision	1,104,852
Warrant liability	6,782,942
Deferred tax liability	12,699,089
<b>Total liabilities assumed</b>	<b>\$ 55,658,388</b>
<b>Net assets before cash and cash equivalents</b>	<b>\$ 312,461,336</b>
Cash and cash equivalents	685,261
Promissory note assumed	(83,790,013)
<b>Net assets acquired</b>	<b>\$ 229,356,584</b>

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Consideration	Securities Issued	Consideration
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 Condensed Consolidated Interim Financial Statements included incorporate the operating results of SEA Electric commencing on April 5, 2024. During the period from April 5, 2024 to June 30, 2024, the Company recorded \$5,265,130 in revenues and a net loss of \$18,532,855 from the SEA Electric, including \$9,732,386 related to the amortization of intangible assets acquired. Had the SEA Electric acquisition closed on January 1, 2024, management estimates that for the period from January 1, 2024 to June 30, 2024 revenue would have increased by \$9,215,507 and net loss would have increased by \$43,502,049, including estimated amortization of \$19,446,920 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 \$4,571,662, which have been included in transaction costs.

Due to the limited time between the closing of this acquisition and the preparation of these Condensed Consolidated Interim Financial Statements, the value of the assets acquired and the liabilities assumed are based upon preliminary financial information available to management as of the date of this report and are subject to change.

## **6. REVENUE FROM CONTRACTS WITH CUSTOMERS**

### ***Revenue recognition***

Revenue is measured as the amount of consideration the Company is expected to receive in exchange for transferring products or providing a service to customers and includes shipping and handling charges. All revenue is recognized when the Company satisfies the performance obligations under the contract. The Company recognizes revenue by transferring the promised products to the customer, with the majority of revenue recognized when the products are delivered to the customer. The majority of the Company's contracts have a single performance obligation and are short-term in nature.

The Company recognized revenue in the period of \$5,358,087, through the delivery of its products, and services during the period.

*SEA-Drive®* - This consists of sales of SEA-Drive® electric power systems. The Company recognizes revenue when delivered to the customer. The Company also installs the SEA-Drive® electric power systems into customer-owned chassis. The Company does not have material contracts related to 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.

*Aftersales Products and Services* - these consist of add-on services and products occurring after the sale of the SEA-Drive electric power systems. The Company recognizes revenue after the service has been provided to the customer.

Revenue previously recognized from the engineering services division has been included in income from discontinued operations (note 20).

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**Unearned revenue**

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.

	<b>June 30, 2024</b>
Balance, December 31, 2023	\$ —
Unearned revenue acquired	6,499,087
Deposits received in the period	5,053,093
Revenue recognized during the period	(4,732,109)
Impact of foreign exchange	97,383
<b>Balance, June 30, 2024</b>	<b>\$ 6,917,454</b>

The Company had previously recognized unearned revenue related to its engineering services department. The operations were discontinued on June 14, 2024 (note 20), and all amounts either included in the disposition or recognized in income from discontinued operations.

**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 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.

**8. PROPERTY PLANT AND EQUIPMENT**

	<b>Right-of- use asset</b>	<b>Machinery and equipment</b>	<b>Furniture and office equipment</b>	<b>Assets under construction</b>	<b>Total</b>
<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	2,385,448	476,332	747,408	—	3,609,188
Additions	(56,977)	341,291	144,576	862,861	1,291,751
Transfers	—	—	—	—	—
Dispositions	(1,527,436)	(356,577)	(246,659)	—	(2,130,672)
Impact of foreign exchange	126,659	85,657	112,614	38,372	363,302
<b>Balance, June 30, 2024</b>	<b>\$ 8,786,523</b>	<b>\$ 16,522,986</b>	<b>\$ 9,661,483</b>	<b>\$ 6,396,903</b>	<b>\$ 41,367,895</b>

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<b>Accumulated Depreciation</b>										
Balance, December 31, 2023	\$	2,429,768	\$	1,628,038	\$	2,096,822	\$	—	\$	6,154,628
Depreciation		737,697		847,837		763,779		—		2,349,313
Dispositions		(310,614)		(122,156)		(159,864)		—		(592,634)
Impact of foreign exchange		48,903		33,233		41,629		—		123,765
<b>Balance, June 30, 2024</b>	<b>\$</b>	<b>2,905,754</b>	<b>\$</b>	<b>2,386,952</b>	<b>\$</b>	<b>2,742,366</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>8,035,072</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 June 30, 2024</b>	<b>\$</b>	<b>5,880,769</b>	<b>\$</b>	<b>14,136,034</b>	<b>\$</b>	<b>6,919,117</b>	<b>\$</b>	<b>6,396,903</b>	<b>\$</b>	<b>33,332,823</b>

The Company recorded leased assets under machinery and equipment with a cost of \$639,875 and accumulated depreciation of \$186,630.

## 9. INTANGIBLE ASSETS AND GOODWILL

	<b>Customer relationship</b>	<b>Developed technology</b>	<b>Brand name</b>	<b>Goodwill</b>	<b>Total</b>					
<b>Cost</b>										
Balance, December 31, 2023	\$	—	\$	—	\$	—				
Acquired assets April 5, 2024		48,569,156		134,892,172		11,007,870		140,347,477		334,816,675
Impact of foreign exchange		488,861		1,357,725		110,797		1,412,634		3,370,017
<b>Balance, June 30, 2024</b>	<b>\$</b>	<b>49,058,017</b>	<b>\$</b>	<b>136,249,897</b>	<b>\$</b>	<b>11,118,667</b>	<b>\$</b>	<b>141,760,111</b>	<b>\$</b>	<b>338,186,692</b>

<b>Accumulated Amortization</b>										
Balance, December 31, 2023	\$	—	\$	—	\$	—	\$	—	\$	—
Depreciation		2,430,687		6,750,800		550,899		—		9,732,386
Impact of foreign exchange		22,215		61,695		5,034		—		88,944
<b>Balance, June 30, 2024</b>	<b>\$</b>	<b>2,452,902</b>	<b>\$</b>	<b>6,812,495</b>	<b>\$</b>	<b>555,933</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>9,821,330</b>

<b>Carrying amounts</b>										
At December 31, 2023	\$	—	\$	—	\$	—	\$	—	\$	—
<b>At June 30, 2024</b>	<b>\$</b>	<b>46,605,115</b>	<b>\$</b>	<b>129,437,402</b>	<b>\$</b>	<b>10,562,734</b>	<b>\$</b>	<b>141,760,111</b>	<b>\$</b>	<b>328,365,362</b>

## 10. INVENTORY

The components of inventory are as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>		
Raw materials	\$	25,568,380	\$	6,665,963
Work in progress		6,653,794		—
<b>Balance June 30, 2024</b>	<b>\$</b>	<b>32,222,174</b>	<b>\$</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 period ended June 30, 2024 the Company recorded no write-downs related to its inventory.

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**11. LEASE LIABILITY**

		<b>June 30, 2024</b>	<b>December 31, 2023</b>
Balance, beginning of period	\$	6,803,448	\$ 7,291,037
Additions		2,677,710	556,057
Lease modification		(56,956)	—
Lease payments		(1,052,715)	(1,591,523)
Interest		296,346	604,800
Disposals		(1,388,479)	—
Impact of foreign exchange		123,526	(56,923)
<b>Balance, end of period</b>	<b>\$</b>	<b>7,402,880</b>	<b>\$ 6,803,448</b>
Consists of:			
Current lease liability	\$	1,741,248	\$ 1,555,270
Non-current lease liability		5,661,632	5,248,178
<b>Balance, end of period</b>	<b>\$</b>	<b>7,402,880</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 CONVERTIBLE 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, the holder may at its election, 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 will mature and be repayable on April 5, 2027 and will accrue interest semi-annually, at the rate of 12% per annum to be paid on the maturity date of the Notes.

At the holders' option, the debentures may be converted into common shares of the Company subsequent to the one year anniversary of the grant (April 5, 2025), and up to the earlier of the maturity date and the date fixed for redemption of the debentures, at a conversion price of \$US0.89 per common share, subject to adjustment in certain circumstances.

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 represent a compound financial instrument, which includes a closely related conversion feature, the host debt, and the prepayment feature. The Company has elected to carry the debt at fair value, and to separately recognize the various components of the compound financial instrument on the statement of financial position. The Company has elected to carry the debt at fair value, and separate. The table below highlights the allocation for each component of the convertible debenture as at June 30, 2024:



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	Senior secured convertible promissory note	Liability classified Warrant
<b>Balance, December 31, 2023</b>	<b>\$ —</b>	<b>\$ —</b>
Fair value acquired	83,790,013	6,782,942
Change in fair value in period	(8,735,756)	(2,157,853)
Impact of foreign exchange	763,533	48,551
<b>Balance at June 30, 2024</b>	<b>\$ 75,817,790</b>	<b>\$ 4,673,640</b>

*Senior secured convertible promissory note*

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%. The amount is recorded at fair value on acquisition, and adjusted to fair value each period.

At the option of the holder, the Notes can be converted to common shares subsequent to April 5, 2025, as such the instrument meets the definition of a current liability.

*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 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.

### 13. CONVERTIBLE DEBENTURES

During the period ended June 30, 2024 the Company recognized a change in the derivative asset of \$287,138, 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
<b>Balance at December 31, 2023</b>	<b>14,950</b>	<b>\$ 12,089,076</b>	<b>\$ 991,295</b>	<b>\$ 3,477,569</b>	<b>\$ (1,217,346)</b>
Accretion		325,277	—	—	—
Change in fair value of derivative asset		—	—	—	287,138
<b>Balance at June 30, 2024</b>	<b>14,950</b>	<b>\$ 12,414,353</b>	<b>\$ 991,295</b>	<b>\$ 3,477,569</b>	<b>\$ (930,208)</b>

The Company incurred interest expense of \$897,000 on the outstanding convertible debentures for the period ended June 30, 2024, which it settled through the issuance of shares.

### 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 share holders 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, 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
- A person other than a permitted holder acquires more than 50% of the issued and outstanding common shares

The preferred shares may be held be 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 June 30, 2024, the Company had 349,969,018 common shares issued and outstanding, and 160,589,446 preferred shares outstanding.

During the period ended June 30, 2024, the Company:

- Issued 100,000 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

During the period ended June 30, 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 5,280,736 shares on the exercise of warrants for total proceeds of \$7,473,467
- Issued 565,210 shares on the exercise of options for total proceeds of \$467,067
- Issued 422,533 common shares at a price of \$2.13 for the settlement of interest payments of \$899,995 due on June 30, 2023 in connection with its convertible debenture

The Company's 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 long-term 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

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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, 2024 and 2023 the Company recorded share-based payments of \$1,499,918 and \$1,563,292, respectively. For the period ended June 30, 2024, \$34,051 of share-based payment expense was allocated to research and development (2023 - \$336,260).

**(d) 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, 2024	June 30, 2023
Risk-free interest rate	3.98%	3.36%
Estimated annualized volatility	60.00%	94.95%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Exercise price	\$0.83	\$2.20
Share price	\$0.85	\$2.20
Fair value	\$0.63	\$1.62

During the period ended June 30, 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 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
<b>Balance, December 31, 2023</b>	10,543,607	\$2.14
Granted	4,085,873	\$0.83
Exercised	(100,000)	\$0.41
Forfeited	(997,260)	\$2.38
<b>Balance, June 30, 2024</b>	<b>13,532,220</b>	<b>\$1.74</b>

The weighted average share price (at the date of exercise) of options exercised during the period ended June 30, 2024 was \$0.89.

The following table summarizes information about the Company's share options outstanding as at June 30, 2024:

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
September 13, 2024	\$ 0.25	1,900,000	1,900,000
March 9, 2025	\$ 0.38	201,667	201,667
August 31, 2025	\$ 1.00	702,550	702,550

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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	960,000	960,000
June 8, 2026	\$	0.83	4,085,873	4,085,873
June 28, 2026	\$	3.93	220,000	220,000
September 20, 2026	\$	2.96	330,000	330,000
November 22, 2026	\$	3.75	50,000	50,000
April 12, 2027	\$	1.47	582,100	582,100
September 2, 2027	\$	1.05	190,550	190,550
November 17, 2027	\$	1.44	100,000	100,000
March 10, 2028	\$	2.51	378,630	251,130
May 31, 2028	\$	2.12	1,326,250	875,325
July 4, 2028	\$	2.15	808,100	722,900
<b>Total</b>			<b>13,532,220</b>	<b>12,868,595</b>

**(e) Warrants**

During the period ended June 30, 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 following table summarizes information about the Company's warrants outstanding as at June 30, 2024 and December 31, 2023:

<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
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
December 30, 2027	\$2.40	6,240,000	6,240,000
April 5, 2029	\$0.81	13,192,842	—
<b>Total</b>		<b>29,548,125</b>	<b>16,355,283</b>

**(f) Performance share units**

PSU transactions and the number of units outstanding are summarized below:

	<b>Number of Units</b>
Balance, December 31, 2023	<b>754,375</b>
Forfeited	<b>(91,250)</b>
<b>Balance, June 30, 2024</b>	<b>663,125</b>

The Company issued nil PSU's during the period ended June 30, 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 PSU's in common shares or cash.

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The following table summarizes information about the Company's PSU's outstanding as at June 30, 2024:

<b>Date of Expiry</b>	<b>Number of Units Outstanding</b>	<b>Number of Units Exercisable</b>
December 31, 2024	265,250	—
December 31, 2026	397,875	—
<b>Total</b>	<b>663,125</b>	<b>—</b>

**(g) Restricted share units**

RSU transactions and the number of units outstanding are summarized below:

	<b>Number of Units</b>
Balance, December 31, 2023	244,810
Granted	15,457,723
Forfeited	(4,290,699)
<b>Balance, June 30, 2024</b>	<b>11,411,834</b>

The Company issued 15,457,723 RSUs during the period ended June 30, 2024. The Company, at its discretion, may settle the award value of vested RSU's in common shares or cash.

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 June 30, 2024:

<b>Grant Date</b>	<b>Number of Units Outstanding</b>	<b>Number of Units Exercisable</b>
May 31, 2023	94,810	46,698
October 17, 2023	150,000	49,500
April 5, 2024	11,167,024	—
<b>Total</b>	<b>11,411,834</b>	<b>96,198</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. As at October 2, 2024 8,829,533 awards are expected to be available for exercise in exchange for 4,211,512 common shares and 4,618,021 preferred shares. Of the awards issued 4,290,699 were forfeited subsequent to June 30, 2024.

The total outstanding awards on exercise would result in the issuance of 5,840,582 preferred shares and 5,571,252 common shares.

**(h) Loss per share**

For the three months ended June 30, 2024, loss per share includes weighted average common shares of 338,391,875 and weighted average preferred shares of 151,765,850. For the six months ended June 30, 2024, loss per share includes weighted average common shares of 254,234,869 and weighted average preferred shares of 75,882,925. The preferred and common shares share in the same distribution rights.

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Earnings per share from discontinued operations was nil for the three and six months ended June 30, 2024 and June 30, 2023.

For the period ended June 30, 2024, 12,868,595 options, 29,548,125 warrants, and 46,698 RSU's were exercisable and excluded from the calculation of diluted loss per share as the impact was anti-dilutive (June 30, 2023 - 8,301,871 options and 16,522,983 warrants 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 period ended June 30, 2024.

Semi-annual interest payments on the convertible debentures (note 13) 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, 2024 and December 31, 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:

<b>Instrument</b>	<b>Fair value hierarchy</b>
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.

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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 June 30, 2024, the Company had cash of \$2,040,191 and accounts payable and accrued liabilities of \$32,505,521 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 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 (note 5).

***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 liabilities 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.

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***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.

**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>June 30, 2024</b>	<b>December 31, 2023</b>
Trade receivable	\$ 1,465,866	\$ 875,019
Other receivables	87,609	3,358,653
	<b>\$ 1,553,475</b>	<b>\$ 4,233,672</b>

**18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following table summarizes the Company's components of accounts payable and accrued liabilities:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Trade accounts payable	\$ 29,347,920	\$ 5,709,887
Accrued liabilities	3,118,904	2,920,064
Other payables	38,697	—
	<b>\$ 32,505,521</b>	<b>\$ 8,629,951</b>

**19. 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.



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The following table summarizes the Company's components of research and development expense:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Research and development	\$ 1,556,904	\$ 1,344,137	\$ 3,121,513	\$ 1,716,187
Payroll and consulting fees	1,523,351	1,412,323	3,207,854	2,809,066
Share-based payments	34,051	287,565	34,051	336,260
	\$ 3,114,306	\$ 3,044,025	\$ 6,363,418	\$ 4,861,513

**20. 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	62,037	12,508	135,654	12,508
Gain 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 (used in) investing activities	96,404	(280,138)	114,316	(662,226)
Cash flows from (used in) 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>

## **21. 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. 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.

## **22. SUBSEQUENT EVENTS**

### *Restructuring of Senior Secured Convertible Promissory Notes*

On July 22, 2024 Exro completed a restructuring of the senior secured promissory notes and increased the available financing under the Notes. The senior secured promissory notes have the same terms as disclosed in note 12 to the condensed consolidated interim financial statements, with the exception of the removal of the conversion feature.