Consolidated Financial Statements

As at and for years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Exro Technologies Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Exro Technologies Inc. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets and goodwill of the Exro SEA Drive Cash Generating Unit (CGU) *Refer to note 3 – Material accounting policies, note 5 – Business combinations and note 9 – Intangible assets and goodwill to the consolidated financial statements.* The carrying values for goodwill and intangible assets, net of impairment and amortization, for the Exro Sea Drive CGU as of December 31, 2024 was nil, and $105.3 million. On April 5, 2024, the Company acquired all of the issued and outstanding shares of SEA Electric Inc. and its operating subsidiaries. The fair values of the acquired assets at the date of acquisition included $152.8 million of goodwill and $194.5 million of intangible assets. Goodwill is assessed for impairment annually or as events occur that could result in impairment. The goodwill and intangible assets are reviewed, at each reporting period, for indicators of impairment. If any indicator exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. When the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of the Exro SEA Drive CGU, which included the following: – Tested the appropriateness of the FVLCD model used and the mathematical accuracy of the discounted cash flows. – Tested the reasonableness of expected revenue growth linked to production volumes and the expected decrease in cost of production per unit used in the estimation of the discounted cash flows by comparing them to the budget approved by the board of directors and by considering current financial results of the Exro SEA Drive CGU. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate applied by the Company in the discounted cash flows. – Tested the underlying data used in the discounted cash flows. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the impairment of the Exro SEA Drive CGU.

Key audit matter	How our audit addressed the key audit matter
Subsequent to the acquisition, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, which were directly related to the Exro SEA Drive CGU. Consequently, the Company performed an assessment of the recoverable amount of its Exro SEA Drive CGU and estimated the recoverable amount using a fair value less costs of disposal (FVLCD) model. The Company estimated the recoverable amount based on the discounted cash flows from the Exro SEA Drive CGU. Key assumptions used in the determination of discounted cash flows included expected revenue growth linked to production volumes, expected decrease in cost of production per unit and discount rate. A comparison of the recoverable amount for the Exro SEA Drive CGU to its carrying value resulted in an impairment expense of $153.2 million of goodwill and $70.0 million of intangible assets. We considered this a key audit matter due to the significant judgment by management in determining the recoverable amount of the Exro SEA Drive CGU, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Joon Chan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 31, 2025

Exro Technologies Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	December 31, 2024	December 31, 2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 2,258,875	$ 6,241,176
Accounts receivable	17	1,720,528	4,233,672
Prepaid expense		3,642,099	1,348,321
Inventory	10	30,796,716	6,665,963
Total current assets		38,418,218	18,489,132
Investment	7	—	8,357,423
Property, plant, and equipment	8	32,571,637	32,079,698
Intangible assets	9	105,328,473	—
Derivative asset	13	20,219	1,217,346
TOTAL ASSETS		**$ 176,338,547**	**$ 60,143,599**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		$ 32,054,200	$ 5,709,889
Accrued liabilities and other payables		4,753,849	2,920,062
Unearned revenue	6	4,214,729	—
Lease liability – current portion	11	2,298,260	1,555,270
Liability classified warrant	12	415,871	—
Warranty provision		1,575,704	—
Total current liabilities		45,312,613	10,185,221
Long-term debt		122,888	50,000
Lease liability – long-term portion	11	5,974,545	5,248,178
Convertible debentures	13	12,748,383	12,089,076
Senior secured promissory note	12	89,472,226	—
TOTAL LIABILITIES		**$ 153,630,655**	**$ 27,572,475**
SHAREHOLDERS' EQUITY			
Share capital	14	418,899,358	154,354,940
Contributed surplus		40,864,892	28,768,802
Equity component of convertible debentures	13	991,295	991,295
Deficit		(440,397,962)	(151,464,762)
Accumulated other comprehensive gain (loss)		2,350,309	(79,151)
TOTAL SHAREHOLDERS' EQUITY		**$ 22,707,892**	**$ 32,571,124**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 176,338,547**	**$ 60,143,599**

Going concern (note 1)
Commitments and contingencies (note 24)
Subsequent events (note 25)

These consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2025. They are signed on the Company's behalf by:

/s/ Rod Copes — Director

/s/ Frank Simpkins — Director

See accompanying notes to the consolidated financial statements

Exro Technologies Inc.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Note	For the years ended December 31, 2024	2023 *(restated - note 19)*
Revenue	6	$ 23,074,027	$ —
Direct operating costs, excluding amortization		29,851,169	—
Inventory provision	10	1,863,904	—
GROSS PROFIT, EXCLUDING AMORTIZATION		**$ (8,641,046)**	**$ —**
EXPENSES			
Depreciation and amortization	8,9	30,150,240	2,745,835
Payroll and consulting		27,150,045	15,562,210
Selling, general and administration		14,913,478	10,152,263
Research and development	18	8,918,746	11,788,094
Interest expense	12, 13	8,459,495	2,332,894
Transaction costs		4,593,633	—
Share-based payments	14	2,506,321	3,916,464
Warranty expense		573,777	
Gain on disposal of assets		(5,103)	(216,825)
TOTAL EXPENSES		**$ (97,260,632)**	**$ (46,280,935)**
Loss on investment	7	(1,570,796)	(2,200,747)
Change in fair value of derivative asset	13	(1,197,127)	(1,172,216)
Change in fair value of promissory note	12	11,356,485	—
Change in fair value of liability classified warrant	12	6,470,934	—
Impairment expense	9	(223,215,594)	—
Foreign exchange loss		(1,326,544)	(968,481)
Other income (expense)	20	2,873,550	(86,206)
Net loss before tax from continuing operations		**$ (312,510,770)**	**$ (50,708,585)**
Deferred tax recovery	23	24,943,074	—
Net loss from continuing operations		**$ (287,567,696)**	**$ (50,708,585)**
Net income (loss) from discontinued operations	**19**	**$ (1,365,504)**	**$ 85,415**
NET LOSS		**$ (288,933,200)**	**$ (50,623,170)**
Items that may be subsequently reclassified to earnings:			
Gain on translation of foreign currency		2,429,460	479,972
COMPREHENSIVE LOSS		**$(286,503,740)**	**$ (50,143,198)**
Net loss per share - basic and diluted	14	$ (0.65)	$ (0.31)
Weighted average number of shares outstanding		444,123,823	161,707,518

See accompanying notes to the consolidated financial statements

Exro Technologies Inc.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Number of common shares outstanding	Number of preferred shares outstanding	Share capital	Contributed surplus	Equity component of convertible debentures	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, December 31, 2022		**146,834,230**	**—**	**$ 109,544,685**	**$ 26,278,530**	**$ 994,610**	**$ (100,841,592)**	**$ (559,123)**	**$ 35,417,110**
Financing, net of issuance costs		15,525,000	—	32,469,732	—	—	—	—	**32,469,732**
Shares issued for interest	14	1,102,077	—	1,796,993	—	—	—	—	**1,796,993**
Shares issued on conversion of debenture		20,833	—	43,213	—	(3,315)	—	—	**39,898**
Shares issued on exercise of options	14	973,790	—	1,247,179	(541,331)	—	—	—	**705,848**
Shares issued on exercise of warrants	14	5,448,436	—	9,004,140	(1,302,600)	—	—	—	**7,701,540**
Shares issued on exercise of RSUs	14	117,452		248,998	(248,998)	—	—	—	—
Share-based payments		—	—	—	4,583,201	—	—	—	**4,538,201**
Net loss		—	—	—	—	—	(50,623,170)	—	**(50,623,170)**
Other comprehensive income		—	—	—	—	—	—	479,972	**479,972**
Balance, December 31, 2023		**170,021,818**	**—**	**$ 154,354,940**	**$ 28,768,802**	**$ 991,295**	**$ (151,464,762)**	**$ (79,151)**	**$ 32,571,124**
Acquisition	5	146,453,200	160,589,446	213,210,889	9,172,628	—	—	—	**222,383,517**
Financing, net of issuance costs	14	106,600,450	—	44,684,247	5,143,784	—	—	—	**49,828,031**
Shares issued for interest	14	8,201,140	—	1,794,000	—	—	—	—	**1,794,000**
Shares issued on exercise of options	14	300,000	—	155,730	(64,730)	—	—	—	**91,000**
Shares issued on exercise of RSUs	14	3,145,609	3,236,725	4,699,279	(4,699,279)	—	—	—	—
Shares issued on exercise of warrants	14	500	—	273	(62)	—	—	—	**211**
Conversion of preferred shares	14	106,079,747	(106,079,747)	—	—	—	—	—	—
Share-based payments	14	—	—	—	2,543,749	—	—	—	**2,543,749**
Net loss		—	—	—	—	—	(288,933,200)	—	**(288,933,200)**
Other comprehensive income		—	—	—	—	—	—	2,429,460	**2,429,460**
Balance, December 31, 2024		**540,802,464**	**57,746,424**	**$ 418,899,358**	**$ 40,864,892**	**$ 991,295**	**$ (440,397,962)**	**$ 2,350,309**	**$ 22,707,892**

See accompanying notes to the consolidated financial statements

Exro Technologies Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	For the years ended December 31, 2024	2023
OPERATING ACTIVITIES			
Net loss for the period		$ (288,933,200)	$ (50,623,170)
Items not involving cash:			
Depreciation and amortization	8, 9	30,482,884	3,262,638
Share-based payments	14	2,543,749	4,583,201
Non-cash interest	13	7,727,842	2,423,761
Loss on disposal of assets	19	1,104,994	106,617
Unrealized loss on investments	7	1,570,796	2,200,
Unrealized foreign exchange loss		4,786,803	242,790
Change in fair value of derivative asset	13	1,197,127	1,172,216
Change in fair value of promissory note	12	(11,356,485)	—
Change in fair value of liability classified warrant	12	(6,470,934)	—
Impairment expense	9	223,215,594	—
Inventory provision	10	1,863,904	—
Deferred tax recovery		(24,943,074)	—
Changes in non-cash working capital items:			
Accounts receivable		3,887,963	(3,339,339)
Prepaid expenses		1,119,244	(466,255)
Accounts payable and accrued liabilities		2,275,761	3,437,652
Inventory		511,279	(4,501,762)
Unearned revenue		(2,434,052)	(1,105,462)
Warranty provision		384,724	—
Cash used in operating activities		**$ (51,465,081)**	**$ (42,606,366)**
INVESTING ACTIVITIES			
Purchase of equipment	8	(1,983,494)	(8,835,456)
Proceeds from sale of assets	19	187,585	—
Change in non-cash working capital		(1,527,786)	(223,308)
Cash acquired on acquisition	5	685,261	—
Cash used in investing activities		**$ (2,638,434)**	**$ (9,058,764)**
FINANCING ACTIVITIES			
Proceeds from financings	14	61,271,084	34,931,251
Share issue cost		(11,443,052)	(2,461,519)
Proceeds from exercise of options	14	91,000	705,848
Proceeds from exercise of warrants	14	211	7,701,540
Proceeds from promissory note		6,863,245	—
Principal repayments of lease liability	11	(1,917,290)	(986,723)
Repayment of debt		(40,000)	—
Change in non-cash working capital		(233,666)	(59,564)
Cash provided by financing activities		**$ 54,591,532**	**$ 39,830,833**
Impact of foreign currency translation		(4,470,318)	631,502
Decrease in cash and cash equivalents		(3,982,301)	(11,202,795)
Cash and cash equivalents, beginning of the period		6,241,176	17,443,971
Cash and cash equivalents, end of the period		**$ 2,258,875**	**$ 6,241,176**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Exro Technologies Inc. (“Exro” or the “Company”) is incorporated under the British Columbia Business Company Act. The Company’s shares are listed on the TSX Exchange (“TSX”) and trades under the symbol “EXRO”. The Company’s head office is located at 12–21 Highfield Circle S.E., Calgary, Alberta, T2G 5N6. Exro is a clean technology company that has developed new-generation power control electronics with an innovative suite of solutions, including Coil Driver™, Cell Driver™ and SEA Drive® that expand the capabilities of electric motors and batteries and offer OEMs a comprehensive e-propulsion solution with unmatched performance and efficiency. The Company is working towards commercialization and series production of its patented Coil Driver™ technology while concurrently generating revenue from the sale of SEA Drive®.

Going Concern Assumption

These consolidated financial statements have been prepared on a going concern basis which assumes the realization of assets and discharge of liabilities at their carrying values in the ordinary course of operations for the foreseeable future.

During the year ended December 31, 2024, the Company generated a net loss from continuing operations of $287,567,696 (December 31, 2023 - $50,708,585) and negative cash flows from operating activities of $51,465,081 (December 31, 2023 - $42,606,366). As at December 31, 2024 the Company has an accumulated deficit of $440,397,962 (December 31, 2023 - $151,464,762) and a working capital deficit (current assets less current liabilities) of $6,894,395 (December 31, 2023 - working capital surplus of $8,303,911). The Company’s current liabilities and expected level of expenditures for the next twelve months are in excess of the cash on hand of $2,258,875 as at December 31, 2024. The Company has current financial liabilities of $41,333,210 in excess of cash and accounts receivable and will require additional financing to fund its ongoing working capital requirements over the next twelve months.

Given the Company’s stage of development, and until it can generate significant profitable operations, the Company expects to continue financing its operations through a combination of accessing capital markets and debt arrangements, or other sources, in order to meet its business plan. The Company will require financing in the near future in order to fund its operations and obligations subsequent to December 31, 2024. The Company is actively managing its liquidity pending additional financing. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside of the Company’s control, as such there is no assurance that the Company will be able to do so in the future.

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

The Company restructured the senior secured convertible promissory notes (note 12) on July 22, 2024, and secured additional debt financing under the Notes, of US$3.0 million ($4,056,600) on July 22, 2024 and US$2.0 million ($2,704,400) on August 19, 2024. Additionally, on September 13, 2024, the Company closed a bought deal financing, raising gross proceeds of $25.0 million to fund short-term working capital.

Subsequent to year end, the Company has secured additional financing by draw down on the Notes of US$3.0 million ($4,331,145) on January 29, 2025, US$2.0 million ($2,865,040) on February 11, 2025, and US$2.5 million ($3,606,712) on March 12, 2025. The additional financing is aimed at improving the Company's liquidity and support working capital and operational needs. Until such time the Company has secured additional financing, it continues to be reliant on additional draws on the senior secured promissory notes. There is no assurance that the senior secured promissory note holders will continue to provide additional financing.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements of the Company for the year ended December 31, 2024 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 31, 2025.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

(c) Functional currency and presentation

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its Canadian based subsidiaries.

(d) Basis of consolidation

The Company controls an investee if the Company has power over the entity; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period 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.

(Expressed in Canadian dollars)

Subsidiaries	Location of Operations	Percent Ownership	Functional Currency
DPM Technologies Inc.	Vancouver, Canada	100%	Canadian Dollar
Exro Technologies USA, Inc.	Arizona, USA	100%	US Dollar
Exro Vehicle Systems Inc.	Michigan, USA	100%	US Dollar
SEA Electric Inc.	California, USA	100%	US Dollar
SEA Electric LLC	California, USA	100%	US Dollar
SEA Electric Holdings Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Automotive Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Electric Pty Ltd	Melbourne, Australia	100%	Australian Dollar
SEA Electric ASIA Ltd	Bangkok, Thailand	100%	Thai Baht
SEA Electric Ltd	Auckland, New Zealand	100%	NZ Dollar
SEA Electric GmBH	Vienna, Austria	100%	Euro
SEA Electric Limited	London, United Kingdom	100%	British Pounds
Cellex Energy Inc.	Arizona, USA	100%	US Dollar
Cellex Energy IP Inc.	Vancouver, Canada	100%	US Dollar

(e) Significant accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Critical judgements

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

a. 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.

b. Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

c. Where the fair value of financial assets and liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. Where the fair value cannot be derived from transactions in active markets, they are determined using appropriate valuation techniques for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

d. Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and equity components. The debentures consist of a financial liability which represents the obligation to pay coupon interest on the convertible debentures in the future, a freestanding equity classified share purchase warrant, and an equity component related to the ability to convert the debenture to common shares at the option of the holder.

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

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

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

g. The determination of consideration transferred involves judgment, particularly in assessing the fair value of the assets exchanged and liabilities assumed. Management carefully evaluates all components of the transaction to ensure the appropriate recognition and measurement of consideration.

   The consideration transferred typically includes cash payments, equity instruments, and any pre-existing relationships between the parties. The fair value of equity instruments issued as part of the transaction is determined based on market prices at the acquisition date or through valuation techniques where market data is unavailable. These estimates require management to make assumptions regarding future financial performance, market conditions, and discount rates, all of which can significantly impact the recorded purchase price. Additionally, Management applies professional judgment to assesses whether pre-existing relationships such as prior investments, form part of the consideration or represent a separate transaction

Estimation uncertainty

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

a. Taxable Income

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

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

b. Accrued Liabilities

The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

c. Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management's best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows.

d. Business combinations

The acquired assets and assumed liabilities (other than deferred taxes and goodwill) are recognized at fair value on the date Exro obtains control. The measurement of the assets acquired and liabilities assumed in a business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), non-cash working capital, property, plant and equipment, and other assets and liabilities at the date of the acquisition, as well as the useful lives of the acquired intangible assets is based on assumptions and generally requires significant judgement. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

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

e. Impairment tests

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

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied to the applicable years presented.

(a) Foreign currency translation

The financial statements for each of the Company's subsidiaries are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in accumulated other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of comprehensive loss.

(b) Revenue

The Company recognizes revenue in accordance with IFRS 15 when following criteria are met:

- Contract is identified. Contracts, and the approval of contracts, may be written, oral or implied by the Company's customary business practices.
- Performance obligation(s) are met. A performance obligation is a promise to a customer to transfer one of the following:
    - a good or service (or a bundle of goods or services) that is distinct
    - a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer
- Transaction price can be determined. The transaction price is the amount of consideration that the Company expects to be entitled to in exchange for the promised goods or services to a customer. The transaction price is adjusted for variable consideration arising from rebates or discounts granted. The rebates are estimated at the time of initial sale and constrained to the extent that it is highly probable that a significant revenue reversal will not occur.
- Allocation of the transaction price to each performance obligation. To allocate the transaction price to each performance obligation, the Company determines the stand-alone selling price at contract inception of each distinct good or service and allocates the transaction price proportionately. The stand-alone selling price is the price at which the Company would sell a promised good or service separately to a customer.
- Recognize revenue when each obligation is satisfied through the transfer of control of promised goods or services to the Company's customers. Control transfers once a customer has the ability to direct the use

of and obtain substantially all of the benefits from the product. This includes physical possession, and customer acceptance. This may occur over time or at a single point in time.

Revenue from the sale of products is measured based on the consideration specified in contracts with customers. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer. The majority of the Company's contracts have a single performance obligation and are short-term in nature. The company's obligation to repair or replace faulty products under standard warranty terms is recognized as a provision.

Revenue from Aftersales services and products is recognized after services have been rendered to the customer. This is at the point in time when the service is performed and completed, and the customer has received the benefit of the service.

The Company recognizes unearned revenue when an obligation to transfer goods or services to a customer for which the Company has received consideration from the customer exists. If a customer pays consideration before the Company transfers goods or services, unearned revenue is recognized when the payment is made. Unearned revenue is recognized as revenue when the Company completes its performance obligation in line with its revenue recognition policy.

The Company evaluates its arrangements with third parties to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by Exro having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Exro acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Cost of sales include labor, materials and direct and indirect overhead amounts required to complete each product unit and recognized against revenue once revenue is recognized.

(c) Inventory

Inventories are valued at the lower of cost and net realizable value. Costs are allocated to inventory using the weighted average cost or FIFO method. The Company applies different cost formulas for raw materials based on the nature of the finished goods they are used to produce. The FIFO method is applied to raw materials incorporated in the production of faster moving finished goods ensuring older stock is used and minimizing risk of obsolescence. Conversely, the weighted average cost method is applied to raw materials that are consumed in the production of goods with slower sale cycles and longer holding periods, to smooth out fluctuations over time. The cost of work in progress inventory comprises of raw materials, direct labor, other direct costs and related overhead, allocated on the basis of normal operating capacity.

Net realizable value is based on the selling price of the finished product (in the ordinary course of business), less the estimated costs of completion and estimated costs to make a sale. A write-down is recognized if the carrying amount exceeds the net realizable value and may be reversed if the circumstances that caused it no longer exist.

(d) Business combinations

Business combinations are accounted for using the acquisition method. Acquired assets and assumed liabilities are recognized at their fair value at the acquisition date. For those acquisitions that include contingent consideration arrangements, the contingent consideration is measured at its acquisition date fair value, and subsequent changes in such fair value amounts are recognized in net income. Acquisition-related costs are recognized in net income as incurred.

If the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, Exro reports estimated amounts. These estimated amounts are adjusted retrospectively during the measurement period to reflect the new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(e) Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation, and less any recognized impairment losses. The cost of additions, including costs to bring the asset to its location and condition necessary to operate in the manner intended, are capitalized. Each part of a component of property, plant and equipment with a cost that is significant in relation to the total cost of the component is depreciated separately. When the cost of replacing a portion of a component of property and equipment, the carrying amount of the replaced component is derecognized.

Depreciation of assets under construction commences when the assets are ready and being utilized for their intended use. The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by adjusting the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Property, plant and equipment is recorded at cost and depreciated on a straight-line basis over its estimated useful life which has been determined as follows:

- Machinery and equipment.. 3-20 years
- Furniture and office equipment.. 3-10 years
- Right of use assets.. Lease term

(f) Intangible assets and goodwill

The Company records goodwill relating to business combinations when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. The goodwill balance is assessed for impairment annually or as events occur that could result in impairment. Goodwill is tested for impairment at a CGU level by comparing the carrying amount to the recoverable amount. Any excess of the carrying amount over the recoverable amount is the impairment amount. The recoverable amount estimates is categorized as Level 3 according to the IFRS 13 fair value hierarchy. Impairment charges, which are not tax affected, are recognized in net income. Goodwill is reported at cost less any accumulated impairment.

Other intangible assets, including customer relationships, developed technology, and brand, that are acquired by the Company and have a finite useful life are measured at cost less accumulated amortization and any accumulated impairment loss.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values under the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful life of intangible assets is as follows:

- customer relationships.. 5 years
- developed technology .... 5 years

- brand .... 5 years

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

(g) Impairment

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or CGU is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and/or forecast calculations, which are prepared for the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the consolidated statement of loss and comprehensive loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss and comprehensive loss, with the exception of impairment to goodwill which is not reversed.

(h) Discontinued Operations

A discontinued operations is a component of the Company's business, for which the operations and cash flows can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographic are of operations;
- is part of a single coordinated 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

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 is re-presented as if the operation has been discontinued from the start of the comparative period.

(i) Warranty Provision

The Company generally offers warranty coverage for its products. The Company accrues warranty-related costs under standard warranty terms and for certain claims outside the contractual obligation period that it chooses to pay as accommodations to its customers.

Provisions for estimated assurance warranties are recorded at the time of sale and are periodically adjusted to reflect actual experience. The amount of warranty liability accrued reflects management's best estimate of the expected future cost of honoring Company obligations under the warranty plans. Historically, the cost of fulfilling the Company's warranty obligations has principally involved replacement parts, towing and transportation costs, labor, and sometimes travel for any field retrofit campaigns. The Company's estimates are based on historical experience.

(j) Leases

IFRS 16 Leases, introduced a single, on-balance sheet accounting model for leases, as a result, the Company, as a lessee, has recognized right of use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

The Company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Lease liability' in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of properties, equipment and vehicles that have a lease term of twelve months or less. The Company has elected not to recognize right-of-use assets and lease liabilities for low value leases that have initial values of less than $5,000. The Company recognizes the lease payments associated with these leases as an operating expense on a straight-line basis over the lease.

(k) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Investment	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long term debt	Amortized cost
Convertible debentures	Amortized cost
Senior secured promissory note	Amortized cost
Derivative asset	FVTPL
Liability classified warrant	FVTPL

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of comprehensive loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in the consolidated statement of comprehensive loss.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments, such as guaranteed investment certificates with original maturities of three months or less. Guaranteed investment certificates are investments with Canadian banks that are the equivalent of a certificate of deposit.

(m) Convertible debentures

The debentures are a non-derivative financial instrument that creates a financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Company. On initial recognition, the liability component is recorded at the fair value of a similar liability that does not have a conversion option. The debt was issued with a detachable warrant, therefore the Company considered the aggregate of the debt and warrants issued at fair value, and allocated the equity amounts between warrants and the conversion feature.

Total transaction costs directly attributable to the offerings are allocated proportionately to the liability and equity components of the debentures.

Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity components are not re-measured. The carrying amounts of the liability and conversion feature of the debentures are reclassified to share capital on conversion to common shares. The carrying amount of the share purchase warrants, plus cash received upon exercise, is allocated to share capital on exercise of the share purchase warrants.

The debt contains an embedded prepayment feature, which is not closely related. The amount has been separated and accounted for in a manner similar to a standalone interest rate derivative.

(n) Senior secured promissory note

The promissory notes are recognized as a financial liability at fair value on initial recognition and at inception subsequently designated at fair value. The debt is classified as current or non-current based on contractual repayment terms. Interest is recognized in the consolidated statements of loss the term of the debt.

Any modification or restructuring is assessed to determine whether it results in a substantial change in terms. Upon modification, the original liability is derecognized, and a new liability is recognized at fair value with any difference in fair value and face value accreted through the consolidated statements of loss over the term of the debt using the effective interest rate method.

The notes include an attached warrant liability that is accounted for as a separate financial instrument. The warrants contain terms that cause it to be net settled in a variable number of shares and have been classified as a financial liability that is initially and subsequently measured at fair value with changes in fair value reported in the consolidated statements of loss.

(o) Share-based payments

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods.

Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured and is recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. Share-based payments are credited to contributed surplus.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included as contributed surplus is transferred to share capital on exercise of options. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value as determined by the quoted bid price of the common shares and any residual value is allocated to contributed surplus. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in contributed surplus is transferred to share capital. Charges for options or warrants that are cancelled or expire are reclassified from contributed surplus to deficit.

(p) Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all in the money options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. In periods of loss basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants is anti-dilutive

(q) Income taxes

Deferred and current income tax is recognized using the liability method on temporary differences arising between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting nor taxable profit or loss.

(r) Government grants

Government grants are recognized when there is reasonable assurance that the grants will be received, and all related conditions are complied with. Government assistance received in respect of expenditures are credited to income, in the same period as the expense to which they relate.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New interpretations and amended standards adopted by the Company

The Company adopted the following amendments during the period in accordance with applicable transitional provisions.

IAS 1 – Presentation of Financial Statements has been amended to clarify how to classify debt and other liabilities as either current or non-current and how the entity has the right to defer settlement of a liability arising from a loan arrangement, which contains covenants, for at least twelve months after reporting period.

The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024. There was no impact on the Company's consolidated financial statements at the adoption date.

Accounting standards issued but not adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted as follows. The Company is reviewing the new standards but does not expect their future adoption to have a material impact on Exro in the current or future reporting periods.

IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18"), has been issued to achieve comparability of the financial performance of similar entities. The Standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The Standard is effective for financial statements beginning on January 1, 2027, including interim financial statements and requires retrospective application. The Company is assessing the impact of this standard.

IAS 21 – The Effects of Changes in Foreign Exchange Rates, has been amended to address when there is a lack of exchangeability in currencies and specifies when a currency is exchangeable, and how to determine the exchange rate when it is not. This amendment is effective for annual reporting periods beginning on or after 1 January 2025. The Company does not anticipate a material impact on its financial statement from this amendment.

IFRS 9 Financial Instruments & IFRS 7 Financial Instruments Disclosures – have been amended to clarify the derecognition of financial liabilities settled through an electronic system and provide guidance for assessing the contractual cashflow characteristics of financial assets. The amendments also update the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add new disclosures for financial instruments with contingent features that do not relate directly to basic lending risks and costs. This amendment will be effective for annual reporting periods beginning on or after 1 January 2026. The Company is reviewing this amendment but does not expect their future adoption to have a material impact on its financial statements in future reporting periods.

5. BUSINESS COMBINATIONS

SEA Electric Inc.

Effective April 5, 2024, Exro acquired all of the issued and outstanding shares of SEA Electric Inc. and its operating subsidiaries ("SEA Electric") through a plan of arrangement and merger. The Company completed the transaction through the issuance of 146,453,200 common and 160,589,446 preferred shares, and the exchange of previously outstanding options and RSU's in SEA Electric for replacement awards in Exro totaling 15,457,723 RSU's and 4,085,873 Options. The total consideration exchanged was $229,356,584, including Exro's previously held investment in SEA Electric (note 7). SEA Electric is a private global e-Mobility technology company that was founded in Australia in 2012 and since 2022 has been incorporated in the state of Delaware, United States, and is headquartered in Torrance, California. SEA's principal business is the sale of its proprietary all-electric SEA-Drive® power system technology which has been developed to provide zero-emission power to urban delivery and commercial transport fleets.

The acquisition has been accounted for by the acquisition method, and results of operations have been included in these consolidated financial statements from the date of acquisition. The goodwill acquired in this 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.

(Expressed in Canadian dollars)

		April 5, 2024
Assets acquired:		
Accounts receivable	$	1,167,240
Prepaid expense		3,229,050
Inventory		25,298,156
Property, plant and equipment		5,469,473
Intangible assets		194,469,198
Goodwill		152,810,425
Total assets acquired	**$**	**382,443,542**
Liabilities assumed:		
Accounts payable and accrued liabilities	$	26,037,911
Unearned revenue		6,499,086
Long term debt		137,207
Lease liability		4,537,995
Warranty Provision		1,104,852
Warrant liability		6,782,942
Deferred tax liability		24,882,213
Total liabilities assumed	**$**	**69,982,206**
Net assets before cash and cash equivalents	**$**	**312,461,336**
Cash and cash equivalents		685,261
Promissory note assumed		(83,790,013)
Net assets acquired	**$**	**229,356,584**

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
Total consideration		**$**	**229,356,584**

These consolidated financial statements incorporate the operating results of SEA Electric commencing on April 5, 2024. During the period from April 5, 2024 to December 31, 2024, the Company recorded $22,767,120 in revenues and a net loss of $245,015,438 from SEA Electric, including $25,539,291 related to the amortization of intangible assets acquired, and $223,215,594 related to impairment of intangibles and goodwill. Had the SEA Electric acquisition closed on January 1, 2024, management estimates that for the period from January 1, 2024 to December 31, 2024 revenue would have increased to $28,523,034 and net loss would have increased to $300,090,605, including estimated amortization of $9,723,460 related to intangible assets acquired. In determining these amounts, management assumes the fair values on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2024. The results are not necessarily indicative of the performance that would have been achieved, had the business actually combined on January 1, 2024.

The Company incurred costs related to the acquisition of SEA Electric of $4,593,633, which have been included in transaction costs.

The Company recognized a measurement period adjustment related to the assumed lease liability and acquired property, plant and equipment of $1,860,285, as well as an adjustment to deferred tax liabilities of $12,183,124. The fair value of the lease liability and acquired asset were estimated to be equal, with no impact on goodwill or intangible assets. The deferred tax liability increased in conjunction with an increase in goodwill on acquisition due to the true up of deferred tax assets acquired from SEA Electric, followed by a subsequent increase in the impairment expense recognized in Q3 2024 (note 9). In addition, the Company recognized changes in working capital, which resulted in an increase in the goodwill balance acquired of $279,824.

During the year ended December 31, 2024, the Company identified impairment indicators related to goodwill and intangible assets (note 9).

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognition

The Company recognized revenue of $23,074,027, net of rebates, through the delivery of its products during the period.

SEA-Drive® - this consists of sales of SEA-Drive® electric power systems. The Company recognizes revenue when the unit is delivered to the customer. The Company also installs the SEA-Drive® electric power systems into customer-owned chassis.

Coil Driver™ - this relates to the sale and delivery of Exro's Coil Driver™ to end customers. The Company recognizes revenue when the unit is delivered to the Customer.

Cell Driver™- this relates to the sale and delivery of Exro's Cell Driver to end customers. The Company recognizes revenue when the unit is delivered to the Customer.

Aftersales Products and Services - these consist of add-on products and services occurring after the sale of the SEA-Drive electric power systems. Revenue is recognized when the Company sells parts and control of parts has been transferred, and services have been rendered to the customer.

Revenue for the year was earned from two major customers. These customers accounted for approximately 72% (2023-nil) and 21% (2023- nil) of total revenues.

Revenue previously recognized from the engineering services division has been included in income from discontinued operations (note 19).

(Expressed in Canadian dollars)

Unearned revenue

		December 31, 2024
Balance, December 31, 2023	$	—
Unearned revenue acquired		6,481,971
Deposits received in the period		7,046,816
Revenue recognized during the period		(9,584,348)
Impact of foreign exchange		270,290
Balance, December 31, 2024	$	4,214,729

The Company had previously recognized unearned revenue related to its engineering services department. The operations were discontinued on June 14, 2024 (note 19), and all amounts either included in the disposition or recognized in income from discontinued operations. The Company expects that all of the amount in deferred revenue will be recognized as revenue in the next twelve months.

7. INVESTMENT

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

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

		December 31, 2024
Balance, December 31, 2023	$	8,357,423
Purchase of investment		—
Fair value gain(loss) on investment		(1,570,796)
Impact of foreign exchange		186,440
Consideration for SEA Electric acquisition		(6,973,067)
Balance, December 31, 2024	$	—

(Expressed in Canadian dollars)

8. PROPERTY PLANT AND EQUIPMENT

	Right-of-use asset	Machinery and equipment	Furniture and office equipment	Assets under construction	Total
Cost					
Balance, December 31, 2023	$ 7,858,829	$ 15,976,283	$ 8,903,544	$ 5,495,670	$ 38,234,326
Acquired assets April 5, 2024	4,245,733	476,332	747,408	—	5,469,473
Additions	—	583,611	115,355	1,363,517	2,062,483
Modifications	(57,467)	—	—	—	(57,467)
Dispositions	(1,651,619)	(754,086)	(802,991)	(515,769)	(3,724,464)
Impact of foreign exchange	420,272	229,044	368,545	77,138	1,094,998
Balance, December 31, 2024	**$ 10,815,748**	**$ 16,511,183**	**$ 9,331,862**	**$ 6,420,556**	**$ 43,079,349**

	Right-of-use asset	Machinery and equipment	Furniture and office equipment	Assets under construction	Total
Accumulated Depreciation					
Balance, December 31, 2023	$ 2,429,768	$ 1,628,038	$ 2,096,822	$ —	$ 6,154,628
Depreciation	1,768,027	1,703,056	1,465,535	—	4,936,618
Dispositions	(389,434)	(232,500)	(478,942)	—	(1,100,877)
Impact of foreign exchange	216,631	119,938	180,774	—	517,343
Balance, December 31, 2024	$ 4,024,992	$ 3,218,532	$ 3,264,189	$ —	$ 10,507,712

	Right-of-use asset	Machinery and equipment	Furniture and office equipment	Assets under construction	Total
Carrying amounts					
At December 31, 2023	$ 5,429,061	$ 14,348,245	$ 6,806,722	$ 5,495,670	$ 32,079,698
At December 31, 2024	**$ 6,790,757**	**$ 13,292,651**	**$ 6,067,673**	**$ 6,420,556**	**$ 32,571,637**

The Company recorded leased assets under machinery and equipment with a cost of $639,875 and accumulated depreciation of $279,945.

(Expressed in Canadian dollars)

9. INTANGIBLE ASSETS AND GOODWILL

	Customer relationship	Developed technology	Brand name	Goodwill	Total
Cost					
Balance, December 31, 2023	$ —	$ —	$ —	$ —	$ —
Acquired assets April 5, 2024	48,569,156	134,892,172	11,007,870	152,810,425	**347,279,623**
Impairment	(17,490,513)	(48,576,782)	(3,964,106)	(153,184,193)	**(223,215,594)**
Impact of foreign exchange	1,925,584	5,347,965	436,420	373,768	**8,083,737**
Balance, December 31, 2024	**$ 33,004,227**	**$ 91,663,355**	**$ 7,480,184**	**$ —**	**$ 132,147,766**
Accumulated Amortization					
Balance, December 31, 2023	$ —	$ —	$ —	$ —	$ —
Amortization	6,378,500	17,715,147	1,445,644	—	**25,539,291**
Impact of foreign exchange	319,684	887,864	72,454	—	**1,280,002**
Balance, December 31, 2024	**$ 6,698,184**	**$ 18,603,011**	**$ 1,518,098**	**$ —**	**$ 26,819,293**
Carrying amounts					
At December 31, 2023	$ —	$ —	$ —	$ —	$ —
At December 31, 2024	**$ 26,306,043**	**$ 73,060,344**	**$ 5,962,086**	**$ —**	**$ 105,328,473**

Impairment

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

The Company's CGUs are determined based on its production offerings, including Exro SEA Drive, Coil Driver, and Cell Driver. Goodwill of $152,810,425 and intangible assets of $194,469,198 have been allocated to the Exro SEA Drive CGU, which was acquired on April 5, 2024 through the acquisition of SEA Electric. During the year ended December 31, 2024, the Company identified indicators of impairment related to the decrease in market capitalization and a decline in forecasted production, compared to the forecasts at the time of acquisition, as a result of slower adoption rates in the EV industry than originally forecasted. The Company recognizes this is an indicator of impairment, which warrants an assessment of the recoverable amount of its CGU. The indicators are directly related to the Exro SEA Drive CGU.

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

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

Revenue growth rates for the Exro SEA Drive® are based on a forecasted production volumes with the Company's OEM customers, incorporating expected pricing and cost improvements and efficiencies over the

(Expressed in Canadian dollars)

Company's forecasted period, based on budgets and forecasts reviewed by the Company's Board of Directors. The expected revenue growth rates range from 160% to 24% from 2025 through 2029.

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

A comparison of the recoverable amounts for the Exro SEA Drive CGU to the carrying value resulted in an impairment expense of $223,215,594 (note 5). The Company recognized a write-down of goodwill of $153,184,193, and $70,031,401 of impairment on the intangible assets acquired. The remaining carrying value of the SEA Drive CGU was $139,497,089 after impairment.

A sensitivity analysis on the discount rate, and expected future production, would have the following impact on the December 31, 2024 impairment:

	Decrease (Increase) in Impairment Expense
	December 31, 2024
10% increase in forecasted annual production	13,542,269.00
10% decrease in forecasted annual production	(15,935,793.00)
1% increase in discount rate	(4,998,883.00)
1% decrease in discount rate	5,217,291.00

Assumptions that are valid at the time of preparing the impairment test at December 31, 2024 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to its CGUs on an ongoing basis.

10. INVENTORY

The components of inventory are as follows:

		December 31, 2024		**December 31, 2023**
Raw materials	$	23,801,181	$	6,665,963
Work in progress		5,854,632		—
Finished goods		1,140,903		—
Balance December 31, 2024	$	30,796,716	$	6,665,963

Inventory is held at the lower of cost and net realizable value. The Company assesses its inventory valuation each period. For the year ended December 31, 2024 the Company recorded a provision against inventory of $1,863,904 (2023-nil) to adjust inventory balances to the net realizable value, supported by the sale of the Company's products. The write-down was specific to assets directly related to the delivery of the Exro SEA Drive® and recorded in cost of sales on the statement of comprehensive loss. During the year ended December 31, 2024, the Company recognized inventories of $25,280,052 in cost of sales.

(Expressed in Canadian dollars)

11. LEASE LIABILITY

		December 31, 2024		December 31, 2023
Balance, beginning of period	$	6,803,448	$	7,291,037
Acquired		4,562,431		556,057
Lease modification		(57,475)		—
Lease payments		(2,605,422)		(1,591,523)
Interest		683,366		604,800
Disposals		(1,428,240)		—
Impact of foreign exchange		314,697		(56,923)
Balance, end of period	**$**	**8,272,805**	**$**	**6,803,448**
Consists of:				
Current lease liability	$	2,298,260	$	1,555,270
Non-current lease liability		5,974,545		5,248,178
Balance, end of period	**$**	**8,272,805**	**$**	**6,803,448**

The Company’s lease liabilities relate primarily to leased facilities in which the Company conducts its business, including facilities for research and development activities, product manufacturing, and office space.

12. SENIOR SECURED PROMISSORY NOTE

On April 5, 2024, the Company assumed US$53,446,961 ($72,482,096) principal amount of senior secured convertible promissory notes (the “Notes”) on the acquisition of SEA Electric. The Notes were converted from notes in SEA Electric, to notes in Exro. Subsequent to the one-year anniversary of the issuance of the Notes on April 5, 2025, the holder at its election, was previously able convert the Notes to common shares in Exro at a conversion rate of $US0.89 per share, in increments of 10% of the outstanding principle balance at a time. The Notes were issued with an original maturity date of April 5, 2027, and accrued interest compounded semi-annually, at the rate of 12% per annum to be paid on the maturity date of the Notes.

On July 22, 2024 the senior secured convertible promissory notes were restructured, removing the conversion feature attached to the Notes. In addition, the Company drew additional funds on the Notes of US$3.0 million ($4,056,600) on July 22, 2024 and US$2.0 million ($2,704,400) on August 19, 2024. The Company determined that the restructuring was deemed to be an extinguishment and new issuance of the Notes for accounting purposes. The Company estimated the fair value of the restructured Notes to be US$53,421,772 ($72,236,920) on July 22, 2024, using a Hull-White single factor interest rate model, before any additional draws. Key assumptions included the estimated credit spread, risk free rate curve, and volatility. The difference between the principal value and accrued interest of US$54,958,119 ($74,314,368), as at the date of amendment, and prior to additional draws, and the fair value is accreted through the statement of profit and loss over the life of the Notes using the effective interest rate method.

Subsequent to year end, the Company executed an additional drawdown on the Notes of US$3.0 million ($4,331,145) on January 29, 2025, US$2.0 million ($2,865,040) on February 11, 2025 and US$2.5 million ($3,606,712) on March 12 2024 (note 1). The additional financing was obtained under the existing terms of the Notes. As a result of the drawdown, the Notes maturity is extended to March 12, 2028.

(Expressed in Canadian dollars)

Beginning on the first anniversary of the issuance of the Notes, the Company is entitled to redeem the debentures at 105% of the principal amount ("redemption price") thereof plus accrued and unpaid Interest at any time following December 31, 2024.

The Company also assumed a warrant liability, related to the exchange of warrants held in SEA Electric, for warrants in Exro, issuable to the holders of the Notes. A total of 13,192,842 warrants (note 5, note 14) were issued on April 5, 2024 with an exercise price of $0.81.

The Notes previously represented a compound financial instrument, which includes a closely related conversion feature, the host debt, and the prepayment feature. As of December 22, 2024, the Notes were no longer considered a compound instrument. The table below outlines the changes in fair value, and the closing value of the Notes as at December 31, 2024:

	Senior secured promissory note	Liability classified Warrant
Balance, December 31, 2023	$ —	$ —
Fair value acquired	83,790,013	6,782,942
Additions	6,863,245	—
Accrued interest	4,999,363	—
Accretion	306,712	—
Change in fair value due to extinguishment	(11,356,485)	—
Change in fair value of warrant		(6,470,934)
Impact of foreign exchange	4,869,378	103,863
Balance at December 31, 2024	**$ 89,472,226**	**$ 415,871**

Senior secured convertible promissory note

On April 5, 2024 the fair value of the Notes was calculated using partial differential equations with the following assumptions: annualized volatility of 70% based average equity volatility of comparable companies discounted for the impact on convertible debentures, share price of US$0.63, risk free rate of 5.31%, and a credit spread of 10.79%.

Subsequent to the amendment to the Notes, the Company estimated the fair value of the restructured Notes to be US$53,421,772 ($72,236,920) on July 22, 2024, using a Hull-White single factor interest rate model, before any additional draws. Key assumptions included the estimated credit spread, risk free rate curve, and volatility. The difference between the principal value and accrued interest of US$54,958,119 ($74,314,368), as at the date of amendment, and prior to additional draws, and the fair value is accreted through the statement of profit and loss over the life of the Notes.

The Company has recognized accrued and capitalized interest of $4,999,363 on the senior secured promissory note, of which $2,043,388 was recognized through fair value adjustments prior to the amendment to the debt terms on July 22, 2024, and $2,955,975 subsequent to the amendment.

Liability classified warrant

The fair value of the liability classified warrants is calculated using a binomial option pricing model, using the following assumptions: share price of $0.85, risk free rate of 3.63%, and annualized volatility of 80%. The amount is recorded at the fair value on acquisition and adjusted to fair value each period. The Company subsequently remeasured the fair value of the liability classified warrants to be $415,871 on December 31, 2024, and recognized a fair value gain of $6,470,934.

(Expressed in Canadian dollars)

The liability classified warrant may be converted to common shares at the option of the holder within the next year, as such meets the definition of a current liability, reflecting the Company's obligation to deliver a variable number of shares.

13. CONVERTIBLE DEBENTURES

During the year ended December 31, 2024, the Company recognized a change in the derivative asset of $1,197,127, based on changes to valuation inputs, including changes in time to maturity, share price, and the risk free rate compared to December 31, 2023. The below table summarizes the change in number of convertible debentures outstanding and the liability component of convertible debentures.

	Number of convertible debentures	Liability component	Equity component	Equity warrant	Derivative asset
Balance at December 31, 2023	**14,950**	**$ 12,089,076**	**$ 991,295**	**$ 3,477,569**	**$ 1,217,346**
Accretion		659,307	—	—	—
Change in fair value of derivative asset		—	—	—	(1,197,127)
Balance at December 31, 2024	**14,950**	**$ 12,748,383**	**$ 991,295**	**$ 3,477,569**	**$ 20,219**

The Company settled interest expense of $1,794,000 on the outstanding convertible debentures for the year ended December 31, 2024, which it settled through the issuance of shares on June 30, 2024 and December 31, 2024 (note 14).

14. SHARE CAPITAL

(a) Authorized common shares

There are an unlimited number of common shares without par value authorized for issue.

(b) Preferred shares

There are an unlimited number of preferred shares authorized for issue.

On April 5, 2024 the Company issued 160,589,446 preferred shares in connection with the acquisition of SEA Electric. The preferred shares are non-voting; however, will share is the same rights as common shareholders on any dividends declared.

The preferred shares are convertible into common shares through delivery of a declaration confirming the underlying common shares will be sold through facilities of a stock exchange, or alternative trading system, in one or more transactions which are not prearranged with any non-arm's length acquirer. Additionally, the preferred shares will be automatically converted into common shares on the following conditions:

- After 5 years from the issuance date of the preferred shares;
- If less than 20% of the preferred shares originally issued remain outstanding or 66% converted are converted; or
- A person other than a permitted holder acquires more than 50% of the issued and outstanding common shares

The preferred shares may be held by a permitted holder, defined as (a) a stockholder of SEA Electric Inc. immediately prior to the closing of the acquisition, and (b) any person any person controlled, directly or indirectly, by one or more of the person described in bullet (a).

(c) Issued and outstanding

At December 31, 2024, the Company had 540,802,464 common shares issued and outstanding, and 57,746,424 preferred shares outstanding.

During the year ended December 31, 2024, the Company:

- Issued 146,453,200 common shares for the acquisition of SEA Electric (note 5)
- Issued 160,589,446 preferred shares for the acquisition of SEA Electric (note 5)
- Issued 31,600,000 common shares at a price of $0.95 on April 5, 2024 for aggregate gross proceeds of $30,020,000
- Issued 1,794,000 common shares at a price of $0.50 for the settlement of interest payments of $897,000 due on June 30, 2024 in connection with its convertible debenture
- Issued 71,429,000 common shares at a price of $0.35 on September 13, 2024 for aggregate gross proceeds of $25,000,150
- Issued an additional 3,571,450 common shares at a price of $0.31 on September 13, 2024 in relation to a finders fee in connection with the public offering
- Issued 6,407,140 common shares at a price of $0.14, for the settlement of interest payments of $897,000 due on December 31, 2024 in connection with its convertible debenture
- Issued 300,000 common shares on the exercise of stock options for total proceeds of $91,000.
- Issued 500 common shares on the exercise of Warrants
- Issued 3,145,609 common shares on the exercise of RSUs
- Issued 3,236,725 preferred shares on the exercise of RSUs
- Issued 106,079,747 common shares on the conversion of 106,079,747 preferred shares to common shares

During the year ended December 31, 2023, the Company:

- On May 30, 2023 the Company issued 15,525,000 common shares at a price of $2.25 per common share for aggregate gross proceeds to the Company of $34,931,250
- Issued 5,448,436 shares on the exercise of warrants for total proceeds of $7,701,540

(Expressed in Canadian dollars)

- Issued 973,790 shares on the exercise of options for total proceeds of $705,848
- Issued 117,452 shares on the exercise of RSUs for nil proceeds
- Issued 1,102,077 common shares for the settlement of interest payments of $1,796,993 in connection with its convertible debenture

(d) Stock based compensation

The Company's long term incentive plan, 'Exro Omnibus Long-Term Incentive Plan' provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and consultants of the Company, Restricted Share Units ("RSU"), Performance Share Units ("PSU"), Director Share Units ("DSU"), or Stock Options. The long-term incentive plan is a 10% rolling plan.

Under the incentive plan, the maximum number of common shares that may be granted in favor of any single individual will not exceed 10% of the issued and outstanding common shares at the date of grant. The maximum number of common shares that may be granted in favor of directors and senior officers under the long-term incentive is 10% of the issued and outstanding common shares at the date of grant.

During the years ended December 31, 2024 and 2023 the Company recorded share-based payments of $2,543,749 and $4,583,201 respectively. For the period ended December 31, 2024 $37,428 of share-based payment expense was allocated to research and development (2023 - $666,737).

		December 31, 2024		December 31, 2023
Stock based awards	$	2,506,321	$	3,916,464
Research & development		37,428		666,737
Balance December 31, 2024	$	2,543,749	$	4,583,201

i. Stock options

The fair values of share options granted were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	December 31, 2024	December 31, 2023
Risk-free interest rate	3.98%	3.46%
Estimated annualized volatility	60.00%	94.43%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Exercise price	$0.83	$2.18
Share price	$0.85	$2.18
Fair value	$0.63	$1.60

The expected volatility is determined using the historical volatility of the Company's share price.

During the year ended December 31, 2024 the Company issued 4,085,873 stock options in connection with the acquisition of SEA Electric (note 5). The options issued were a replacement for previous options outstanding in SEA Electric, and were fully vested at the time of acquisition, as such the full value of the 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.

(Expressed in Canadian dollars)

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2023	10,543,607	$2.14
Granted	4,085,873	$0.83
Exercised	(300,000)	$0.30
Forfeited	(2,898,490)	$2.24
Balance, December 31, 2024	**11,430,990**	**$1.69**

The weighted average share price (at the date of exercise) of options exercised during the year ended December 31, 2024 was $0.65.

The following table summarizes information about the Company's share options outstanding as at December 31, 2024:

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
March 9, 2025	$0.38	201,667	201,667
August 31, 2025	$1.00	702,550	702,550
October 13, 2025	$3.15	1,375,000	1,375,000
January 13, 2026	$3.93	321,500	321,500
April 6, 2026	$4.77	840,000	840,000
June 8, 2026	$0.83	4,085,873	4,085,873
June 28, 2026	$3.93	210,000	210,000
September 20, 2026	$2.96	330,000	330,000
November 22, 2026	$3.75	50,000	50,000
April 12, 2027	$1.47	552,100	552,100
September 2, 2027	$1.05	160,550	160,550
November 17, 2027	$1.44	100,000	100,000
March 10, 2028	$2.51	371,000	371,000
May 31, 2028	$2.12	1,326,250	1,326,250
July 4, 2028	$2.15	804,500	741,800
Total		**11,430,990**	**11,368,290**

(Expressed in Canadian dollars)

ii. Warrants

	December 31, 2024
Risk-free interest rate	2.85%
Estimated annualized volatility	81.90%
Expected life	3 years
Expected dividend yield	0%
Exercise price	$0.31
Share price	$0.35
Fair value	$0.16

During the year ended December 31, 2024 the Company issued 13,192,842 warrants at an exercise price of $0.81 in conjunction with the acquisition of SEA Electric (note 12). The warrants are liability classified as a result of the ability to net exercise the awards at the option of the holder, resulting in a variable number of shares that could be issued. The fair value of the warrants as at April 5, 2024 is included in the liabilities assumed on the close of the acquisition, and the change in fair value period over period is recognized in the consolidated statement of comprehensive loss.

The Company further issued a total of 37,500,225 warrants in connection with the public offering, at an exercise price of $0.42. The warrants are listed on the TSX, with a trading value of $0.15 on September 13, 2024.

The Company issued an additional 2,857,160 broker warrants, equal to 4% of the shares issued in connection with the public offering closed on September 13, 2024, with an exercise price of $0.35. That warrants were valued using a black-scholes model based on the inputs provided above.

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2023	16,355,283	$2.00
Granted	53,550,227	$0.51
Exercised	(500)	$0.42
Balance, December 31, 2024	**69,905,010**	**$1.47**

The following table summarizes information about the Company's warrants outstanding as at December 31, 2024 and December 31, 2023:

(Expressed in Canadian dollars)

Date of Expiry	Exercise Price	December 31, 2024	December 31, 2023
February 4, 2025	$ 2.00	6,191,225	6,191,225
February 4, 2025	$ 1.60	90,911	90,911
September 1, 2026	$ 1.36	3,029,390	3,029,390
September 20, 2026	$ 1.36	803,757	803,757
September 13, 2027	$ 0.35	2,857,160	-
September 13, 2027	$ 0.42	37,499,725	-
December 30, 2027	$ 2.40	6,240,000	6,240,000
April 5, 2029	$ 0.81	13,192,842	-
Total		**69,905,010**	**16,355,283**

Subsequent to year end, 6,282,136 warrants originally issued on February 4, 2022, expired unexercised on February 4, 2025**.**

iii. Performance share units

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

	Number of Units
Balance, December 31, 2023	754,375
Forfeited	(91,250)
Expired	(265,250)
Balance, December 31, 2024	**397,875**

The Company issued nil PSU's during the year ended December 31, 2024. The outstanding units vest subject to the Company meeting certain revenue targets. The Company, at its discretion, may settle the award value of vested PSUs in common shares or cash. For the year-ending December 31, 2024, 265,250 PSUs were tied to performance criteria for the trailing twelve month period, which was not met. The PSUs expired during the year-ended December 31, 2024.

The following table summarizes information about the Company's PSU's outstanding as at December 31, 2024:

Date of Expiry	Number of Units Outstanding	Number of Units Exercisable
December 31, 2026	397,875	—
Total	397,875	—

iv. Restricted share units

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

(Expressed in Canadian dollars)

	Number of Units
Balance, December 31, 2023	244,810
Granted	15,457,723
Exercised	(6,382,333)
Forfeited	(4,463,850)
Balance, December 31, 2024	**4,856,351**

The Company issued 15,457,723 RSUs during the year ended December 31, 2024. The Company, at it's discretion, may settle the award value of vested RSU's in common shares or cash.

During the year ended December 31, 2024, the Company settled 6,382,334 RSUs for a combination of 3,145,609 common shares and 3,236,725 preferred shares.

The awards have been valued at the pre-combination fair value and post-combination fair value. The pre-combination fair value that would have been previously expensed was included in the purchase price consideration, while the post-combination fair value will be expensed as share based payments over the remaining vesting period.

The following table summarizes information about the Company's RSU's outstanding as at December 31, 2024:

Grant Date	**Number of Units Outstanding**	**Number of Units Exercisable**
October 17, 2023	51,000	49,500
April 5, 2024	4,805,351	2,641,022
Total	4,856,351	2,690,522

The 15,457,723 awards were issued on April 5, 2024 in connection with the acquisition of SEA Electric. The awards are settled in a combination of preferred shares and common shares. The awards issued are subject to certain lock up provisions, as such no awards issued through the acquisition are exercisable until October 2, 2024. Subsequent to the year end, awards were settled as disclosed in note 25.

The total outstanding awards on exercise would result in the issuance of 2,343,053 preferred shares and 2,513,297 common shares.

(e) Loss per share

For the year ended December 31, 2024, loss per share includes weighted average common shares of 343,529,104 and weighted average preferred shares of 100,594,720. The preferred and common shares share in the same distribution rights.

Earnings per share from discontinued operations was nil for the year ended December 31, 2024.

For the year ended December 31, 2024, 12,868,290 options, 69,905,010 warrants and 2,641,022 RSU's were exercisable and excluded from the calculation of diluted loss per share as the impact was anti-dilutive (December 31, 2023 - 9,116,701 options and 16,355,283 warrants and nil RSU's were exercisable and excluded from the calculation). An additional 6,229,217 of shares issuable on the conversion of the debentures were excluded from the calculation of diluted loss per share for the year ended December 31, 2024.

Semi-annual interest payments on the convertible debentures (note 12) may be settled through the issuance of common shares at the Company's option. Such share issuance that may occur in future periods have been excluded from the calculation of diluted loss as the impact was anti-dilutive.

15. FINANCIAL INSTRUMENTS

(a) Fair value

At December 31, 2024 and December 31, 2023, the carrying values of cash and cash equivalents, accounts-receivable, accounts payable and accrued liabilities and other payables approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

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

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

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

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

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

Instrument	Fair value hierarchy
Derivative asset	Level 2
Liability classified warrant	Level 2

(b) Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2024, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents and accounts receivable. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

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

The Company applies the simplified approach under IFRS 9 and calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, including risks associated with reaching commercialization and achieving revenue. To secure the additional capital necessary to pursue its plans, the Company intends to raise additional funds through equity or debt financing (note 1).

As at December 31, 2024, the Company had cash of $2,258,875 and accounts payable of $32,054,200 and accrued liabilities and other payables of $4,753,849 due within one year.

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

The Company holds senior secured promissory notes, with a face value plus accrued interest of US$63,530,599 ($91,369,707) due on March 12, 2028. The notes carry a coupon rate of 12% annually, with interest compounded semi-annually on June 30, and December 31. The Company is required to pay the full balance plus accrued interest on the maturity date. The following are the contractual maturities of financial liabilities

	1 Year	2-5 Years	More than 5 years	Total
Leases	2,609,627	6,940,186	374,774	**9,924,586**
AP & Accrued Liabilities	36,808,049	—	—	**36,808,049**
Promissory note	—	89,472,226	—	**89,472,226**
Convertible debt	—	12,748,383	—	**12,748,383**
Total	**39,417,676**	**109,160,795**	**374,774**	**148,953,244**

Market risk

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At December 31, 2024, the Company had the equivalent of $93,424,619 of net financial liabilities denominated in US dollars, $1,194,869 of net financial liabilities denominated in Euros, and $2,272,303 of net financial liabilities denominated in Australian Dollars.

The sensitivity of profit or loss to changes in exchange rate arises primarily from US dollar denominated financial liabilities. A one percent strengthening or weakening of the US dollar against the Canadian dollar as at December 31, 2024 would have had the following impact on the consolidated statement of comprehensive loss

(Expressed in Canadian dollars)

	Impact on consolidated statement of comprehensive loss
USD/CAD exchange rate- increase 1%	649,594
USD/CAD exchange rate- decrease 1%	(649,594)

Interest rate risk

Interest rate risk consists of two components:

i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company's exposure arises from changes in trade policies in regions where it operates, which can induce increased market volatility and result in fluctuations in the pricing of financial instruments.

16. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue the delivery of its products, along with the acquisition and development of technology. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to deliver on its existing customer contracts, carry out planned development and pay for administrative costs, the Company will spend its existing working and raise additional funds. Management reviews its capital management approach on an ongoing basis taking into account economic conditions, risks that impact the operations, and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may issue new equity instruments or raise additional debt financing.

17. ACCOUNTS RECEIVABLE

The following table summarizes the Company's components of accounts receivable:

	December 31, 2024	December 31, 2023
Trade receivable	$ 1,711,750	$ 875,019
Other receivables	133,490	3,358,653
Allowance for doubtful accounts	(124,712)	—
	$ 1,720,528	$ 4,233,672

(Expressed in Canadian dollars)

18. RESEARCH AND DEVELOPMENT

Costs incurred for research and development activities include materials, supplies and software expenses in order to complete testing over the Company's products. Additionally, the Company allocates payroll and consulting fees, and share-based payment expenses to research and development based on the time attributable to related activities.

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

	December 31, 2024	December 31, 2023
Research and development	$ 3,259,068	$ 5,061,155
Payroll and consulting fees	5,622,250	6,060,202
Share-based payments	37,428	666,737
	$ 8,918,746	$ 11,788,094

19. DISCONTINUED OPERATIONS

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

(a) Results from discontinued operation

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

	For the years ended December 31,	
	2024	2023
Revenue	$ 2,332,098	$ 5,736,140
Cost of sales	1,549,468	3,203,735
Gross Profit	**$ 782,630**	**$ 2,532,405**
EXPENSES		
Research and development	484,809	1,048,798
Selling, general and administration	424,863	731,486
Depreciation expense	269,360	379,666
Interest expense	57,201	132,083
TOTAL EXPENSES	**$ (1,236,232)**	**$ (2,292,033)**
Other income	136,870	172,032
Loss on disposal of assets	(1,037,403)	(323,442)
Foreign exchange loss	(11,369)	(3,547)
NET INCOME(LOSS) FROM DISCONTINUED OPERATIONS	**$ (1,365,504)**	**$ 85,415**

(Expressed in Canadian dollars)

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

	For the years ended December 31,	
	2024	**2023**
Cash provided by (used in):		
Cash flows from operating activities	$ (567,258)	$ (187,146)
Cash flows from (used in) investing activities	183,958	(191,517)
Cash flows from (used in) financing activities	(46,136)	364,199
Impact of foreign currency translation	283,575	2,910
Net cash flow for the period	**$ (145,861)**	**$ (11,554)**

20. GOVERNMENT GRANTS

Included in other income is $2,502,677 (2023 - nil) received as government grants in respect of research and development expenses. The grant is solely intended to compensate for costs related to research and development projects and there are no unfulfilled conditions or contingencies attached to the grant. The Company did not benefit from any other forms of government assistance during the year.

21. EXPENSES BY NATURE

Additional information on the nature of expenses is as follows:

	December 31 2024	**December 31, 2023**
Payroll and consulting	$ 31,721,162	$ 15,562,210
Depreciation and amortization	30,150,240	2,745,835
Materials cost	25,280,052	—
Selling, general and administration	14,913,478	10,152,263
Research and development	8,918,746	11,788,094
Interest expense	8,459,495	2,332,894
Transaction costs	4,593,633	—
Share based payments	2,506,321	3,916,464
Inventory provision	1,863,904	—
Warranty expense	573,777	—
Gain on disposal of assets	(5,103)	(216,825)
Total expenses	**$ 128,975,705**	**$ 46,280,935**

22. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel consist of officers and directors of the Company who are responsible for planning, directing and controlling the activities of the Company. The following table summarizes key management compensation, including compensation paid to companies that are controlled by the officers and directors:

(Expressed in Canadian dollars)

	December 31,2024	December 31,2023
Payroll and consulting fees	4,032,973	4,184,323
Share based payments	529,427	3,534,082
Total	**$ 4,562,400**	**$ 7,718,405**

23. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 23.0% to income before income taxes. The reasons for the differences are as follows:

		December 31, 2024		December 31, 2023
Net loss before tax for the year	$	(313,876,274)	$	(50,623,170)
Statutory tax rate		23.0%		23.0%
Expected income tax recovery		(72,191,543)		(11,643,329)
Items not deductible for tax purposes		43,987,824		1,333,41
Impact of foreign taxes		35,908,038		(251,725)
Adjustments in respect of prior years		641,524		19,137
Change in unrecognized tax assets		16,597,231		10,542,50
Income tax recovery	$	24,943,074	$	—

(Expressed in Canadian dollars)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities for the year-ended December 31, 2024 and December 31, 2023 are presented below:

	December 31, 2023	Recognized on acquisition	Recognized in earnings	December 31, 2024
Deferred tax assets:				
Non-capital losses	$ 25,888,426	$ 25,973,353	$ 34,830,285	$ 86,692,064
Lease liability	1,619,347	—	(604,393)	1,014,954
Warranty provision	—	—	440,939	440,939
Promissory note	—	2,600,821	(1,421,491)	1,179,330
Long-term debt	2,300		(2,300)	—
Inventory	—	—	547,729	547,729
Research and Development	—	—	252,196	252,196
Total deferred tax asset	**$ 27,510,073**	**$ 28,574,174**	**$ 34,042,964**	**$ 90,127,212**
Deferred tax liabilities:				
Property, plant, and equipment	$ 3,256,738	$ —	$ 679,419	$ 3,936,157
Intangibles	—	53,456,388	(23,981,689)	29,474,698
Liability classified warrant	—	—	1,464,426	1,464,426
Convertible debenture	938,002	—	(426,980)	511,022
Investment	220,839	—	(220,839)	—
Total deferred tax liability	**$ 4,415,579**	**$ 53,456,388**	**$ (22,485,663)**	**$ 35,386,303**
Valuation allowance	$ 23,094,494		$ 31,646,414	$ 54,740,908
Net deferred tax asset (liability)	**$ —**	**$ (24,882,213)**	**$ 24,882,213**	**$ —**

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2024	December 31, 2023
Non-capital losses	$ 519,130,746	$ 138,716,954
US deductible stock options	6,719,746	6,719,746
Share issue cost	12,235,874	5,238,410
SR&ED pool	13,847,850	9,511,043
ITC pool	1,936,607	1,936,607
Capital loss carry-forward	69,543	69,543
Interest expense carry-forward	12,414,780	—
	$ 566,355,146	**$ 162,192,303**

The Company has incurred non-capital losses in Canada of approximately $116,827,512 for the year-ended December 31, 2024 (December 31, 2023 - $70,354,816) that may be carried forward and used to reduce taxable income which will expire in the years 2026 – 2043. The Company incurred additional non-capital losses in the United States of $190,323,087 for the year-ended December 31, 2024 (December 31, 2023 - $24,728,066) that may be carried forward indefinitely and applied against taxable income but are subject to certain utilization restrictions. In addition, the Company incurred State non-capital losses of $177,099,660 for the year ended December 31, 2024 (December 31, 2023 – $26,158,580). The Company also incurred additional non-capital losses in Australia of $34,880,487 for the year-ended December 31, 2024 (December 31, 2023 – nil).

24. COMMITMENTS AND CONTINGENCIES

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business.

The Company's CEO and board chair have been named as defendants in a threatened securities class action suit claiming damages for alleged misrepresentations by the Company in connection with its acquisition of Sea Electric during the year. The Company disputes the allegations contained in the claim and intends to defend the claim vigorously.

Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

25. SUBSEQUENT EVENTS

I. Grants and settlements of stock awards

Subsequent to year end, the Company issued a total of 40,907,028 stock options to employees, directors and executives of the Company at an exercise price between $0.095 and $0.10. The vesting term for the options granted are as follows:

- 16,602,458 options vest on grant date
- Remainder 24,304,570 options vest 20% annually for the next 4 years

Additionally, 252,500 options with grant dates between March 9, 2020, and March 10, 2023, expired unexercised, while 1,200 options were forfeited.

The Company also issued 100,000 RSUs of which 25% will vest one year from grant date and 1/48th of the remainder vest each month for the following 3 years.

The Company settled 2,847,148 RSUs for a combination of 1,358,031 common shares and 1,489,117 preferred shares, and 7,352,759 preferred shares were converted into common shares.

II. Tariffs and trade policies

Effective March 4, 2025, through an executive order signed by the United States President on February 1, 2025, the United States imposed tariffs on imports from a number of countries, including 25% tariffs on all goods from Canada and 10% tariffs on Canadian energy imports. The Government of Canada, other nations, and sub-national governments announced or threatened certain retaliatory measures, including counter tariffs. On March 6, 2025, President Trump amended the Executive Order to exempt goods originating from Canada and Mexico that are covered under the 2020 USMCA trade pact until April 2, 2025.

On March 12, 2025, the United States started applying a 25% tariff on imports of steel and aluminum products from all countries, including Canada. The impact of tariffs or other measures, once implemented, is subject to a number of factors, including the duration of such tariffs or measures, changes in the amount, scope and nature of the tariffs or measures in the future, any further countermeasures that may be taken (which could increase the cost or availability of materials for Exro or its clients), and any mitigating actions that may become available. The introduction of tariffs or non-tariff measures could cause some volatility for the Company and some purchased materials could be impacted, through price increases and/or reduced availability. Efforts would be made to mitigate these impacts by purchasing from alternative sources or by passing these escalated costs on to clients. Additionally, some clients could be impacted by tariffs or non-tariff measures, resulting in less spending by customers. Higher raw material costs brought about by tariffs or other measures, or delayed or cancelled projects could have a material adverse effect on the Company's future earnings and financial position.