**EXRO TECHNOLOGIES INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2024**

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("**Exro**", the "**Company**", "**we**", "**our**") during the three and twelve months ended December 31, 2024, and to the date of this report. The following management discussion and analysis ("**MD&A**") should be read in conjunction with the Company's audited consolidated financial statements for the period ended December 31, 2024 and the December 31, 2023 audited consolidated financial statements and MD&A, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). This MD&A complements and supplements but does not form part of the Company's consolidated financial statements.

This MD&A contains forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 16. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of March 31, 2025.

**BUSINESS OVERVIEW**

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

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

Exro has developed its disruptive technology through multiple years of research and development ("R&D"), automotive certification and manufacturing experience, and on-road validations with multiple partnerships and efforts have culminated in progress marked by product deliveries to OEMs.

**2024 BUSINESS REVIEW**

In 2024, the defining activity for Exro was the merger with SEA Electric Inc, a transformative step that accelerated its strategic initiatives which closed on April 5, 2024. This merger provided a foundation for optimizing operations, enhancing efficiency, and positioning for long-term sustainable growth. Following the merger, significant cost reductions were achieved across operating expenses and bill of materials, while multiple programs advanced within the organization, laying the foundation for future performance improvements. With this, Exro remains focused on strengthening partnerships and scaling its technology to meet demand in the electrification sector.

- **Business Performance and Market Position**

  The merger with SEA played a key role in securing multi-year OEM contracts, providing a revenue foundation and accelerating commercialization efforts. In the nine months following the merger close up to the end of 2024, Exro delivered 153 e-propulsion systems to blue-chip OEMs, reinforcing the success of its integration strategy and supporting record annual revenue of $23,074,027.
  In Q4, Exro completed the installation of its Cell Driver Battery Energy Storage System at Red Deer Polytechnic, highlighting promising future opportunities as the Company continues to move forward with commercialization efforts. This was achieved after successfully obtaining the ETL Certification to UL standards for its Cell Driver™ stationary battery energy storage system for commercial and industrial applications in the second quarter.

  At the same time as commercialization efforts moved forward, cost management was a priority. Exro successfully reduced operational expenses by 37% from April 5th through facility closures, headcount optimization, and streamlined expenditures.

These actions contributed to material cost savings while ensuring that resources were allocated effectively to support core business objectives. In addition, rigorous cash management initiatives led to a 10% reduction in discretionary spending across IT, marketing, and travel.

- **Operational Efficiency and Supply Chain Optimization**

  Exro realized significant operational efficiencies, including negotiating improved supply chain payment structures. Payment terms were optimized from requiring 100% upfront to more favorable staged payments, strengthening cash flow management. Strategic facility closures, including the divestiture of Detroit services, were completed to optimize operational footprint. The Company also addressed outstanding merger-related accounts payable, achieving substantial cost savings through vendor negotiations and structured payment plans.

- **Workforce Optimization and Organizational Streamlining**

  Following the acquisition of SEA Electric, Exro implemented a structured workforce realignment to ensure the right expertise and resources were in place to support long-term growth. At year-end, total headcount was reduced from 266 at April 5th to approximately 160, following a smooth transition that strengthened operational efficiency. Additional headcount reductions were completed in Q1 2025. These changes were carefully managed to align with business objectives while maintaining a strong foundation for future expansion. The Company remains focused on driving productivity and innovation, ensuring that its team is positioned to support evolving market opportunities.

## 2025 STRATEGIC PRIORITIES

Looking ahead, Exro is focused on continuing to improve operational efficiency, while enhancing financial performance.

- **Operational Efficiencies**

  A disciplined approach to cost management and profitability remains a priority. Supply chain relationships will continue to be strengthened to secure favorable pricing and mitigate risks, ensuring a resilient and scalable supply network.

- **Sustainable Growth**

  The Company is focused on expanding collaborations with existing OEM partners and securing at least two new major partnerships. In addition, the energy storage and renewables segment will see continued investment, leveraging proprietary technology to optimize battery performance in commercial industrial BESS systems.

- **Financial Performance**

  Sustainable year-over-year revenue growth remains a key objective, driven by advanced powertrain electrification technologies and expanding partnerships across both the electric vehicle (EV) and energy sectors. The Company is entering 2025 with an optimized cost structure, having successfully reduced annual payroll expenses by more than 50% post-merger, with projected bill of material savings to be realized in 2025.

## 2025 FUNDING STRATEGY

Exro is actively exploring financing alternatives to support its business plan. As of March 31, 2025, the Company has received financial support from an existing investor and is continuing to evaluate other potential funding options with the assistance of third-party financial advisors. There is no guarantee that support from the existing shareholder will continue, nor that the Company will secure an alternative source of funding. Exro will keep stakeholders informed of any developments as they arise.

## MARKET CONSIDERATIONS AND MACRO OUTLOOK

### Near-Term Volatility and Long-Term Growth Potential

While Exro's technology continues to outperform competitors, uncertainty surrounding incentives under the new U.S. administration has introduced market volatility. Changes in regulatory policies, tariffs, and supply chain dependencies have contributed to short-term investment hesitations across the industry. Many dealers and fleet operators are delaying purchasing decisions, impacting near-term demand for electric vehicles.

**Regulatory and Market Trends**

Despite this volatility, the regulatory landscape remains a key driver of future growth. Advanced Clean Trucks ("ACT") regulations continue to mandate increasing zero-emission vehicle production. Federal funding programs such as the Inflation Reduction Act ("IRA") and the Bipartisan Infrastructure Act are expected to provide long-term incentives, though clarity on execution is still required. California's emission standards and the Advanced Clean Fleets ("ACF") regulation also remain significant factors in shaping the industry's trajectory.

However, despite the prospects there is some degree of uncertainty around the structure of these programs in light of recent actions by current administration in the United States of America ("US"), which will necessitate proactive monitoring and response to changes as they unfold.

**Long-Term Market Opportunities**

OEMs such as Mack, Isuzu, and Mazda are investing in new U.S. manufacturing facilities to accelerate commercial EV adoption. Emerging markets, particularly in Texas and Florida—despite the absence of state-level incentives—are demonstrating strong growth potential due to increasing corporate investments in electrification. Companies are taking a future-proofing approach, positioning themselves for stability and expansion over the next 24 months, with significant acceleration expected by 2027.

**RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA**

**Selected quarterly financial data**

| | Quarter Ended | Revenue from continuing operations ($'s) | Net Loss ($'s) | Basic and diluted loss per common and preferred share ($'s) | Weighted average number of common and preferred shares |
|---|---|---|---|---|---|
| Q4 | December 31, 2024 | 6,740,335 | (24,336,858) | (0.04) | 589,246,680 |
| Q3 | September 30, 2024 | 10,975,605 | (225,948,223) | (0.43) | 524,534,634 |
| Q2 | June 30, 2024 | 5,270,259 | (25,207,109) | (0.05) | 490,157,725 |
| Q1 | March 31, 2024 | 87,828 | (12,867,234) | (0.08) | 170,077,862 |
| Q4 | December 31, 2023 | — | (18,769,546) | (0.11) | 169,405,378 |
| Q3 | September 30, 2023 | — | (10,694,314) | (0.06) | 168,731,203 |
| Q2 | June 30, 2023 | — | (12,995,906) | (0.08) | 158,685,036 |
| Q1 | March 31, 2023 | — | (8,163,404) | (0.05) | 149,820,687 |

The Company generated revenues for the three months ended December 31, 2024 of $6,740,335 through the delivery of its proprietary SEA Drive®. Lower revenues were recorded during the three months ended December 31, 2023, compared to the previous quarter due to reduced seasonal variation in demand, typical for the time of the year, as well as supply chain timing.

The Company incurred a total net loss from continuing operations for the three months ended December 31, 2024, of $23,012,295, compared to $17,949,607 for the three months ended December 31, 2023. The change in net loss is driven primarily by interest expense in the period recognized on debt acquired during the merger as well as expanded operational activities overall post-merger, compared to the prior period. The Company continues to fulfill its sales and supply agreements with blue-chip OEMs. By prioritizing these programs, Exro has been able to accelerate the integration of its Coil Driver® technology, which is expected to drive additional gross margin from these programs in 2025.

In Q3 2024, the Company recognized impairment expense of $223,215,594 on the write-down of goodwill and intangible assets (adjusted for a measurement period adjustment in Q4 2024 related to deferred taxes). The Company identified indicators related to the decrease in market capitalization and revised production forecasts and performed a comprehensive assessment that resulted in the write-off of goodwill and impairment recorded against intangible assets. The goodwill and intangible assets were acquired through the acquisitions of SEA Electric on April 5, 2024.

Further, the Company saw non-recurring expenses of $14,259 and $4,593,633 related to transaction costs for the three and twelve months ended December 31, 2024 respectively. Additional expenses were incurred on the restructuring, including severance costs, and integration related costs as the Company focuses on integration activities to realize synergies between the businesses. The Company recognized non-cash costs related to amortization of $25,539,291 in the period related to the acquisition of intangible assets, offset by gains on the fair value adjustments to the liability classified warrants of $6,470,934.

Exro discontinued its engineering services division in the second quarter of 2024 through the sale of assets and the related workforce in the period. With the acquisition of SEA Electric, this division became redundant given a duplication of engineering skill sets acquired with the merger. Revenue earned from discontinued operations for twelve months ended December 31, 2024 was $2,332,098 compared to $5,736,140 in prior year. Net loss from discontinued operations during the period was $1,365,504 (2023 - gain of $85,415) driven by a loss on disposition of assets. The disposition of the business unit served to reduce operating costs and focus on the Company's delivery of its core products including the Coil Driver® and SEA Drive®.

**For the three months ended December 31, 2024, compared to the three months ended December 31, 2023**

***Revenue from continuing operations***

| | For the three months ended | | | |
|---|---|---|---|---|
| | December 31, 2024 | December 31, 2023 | $ Change | % Change |
| Revenue | $ 6,740,335 | $ — | $ 6,740,335 | 100 % |
| Direct operating costs, excluding amortization | 9,047,000 | — | 9,047,000 | 100 % |
| Inventory provision | 1,253,851 | — | 1,253,851 | 100 % |
| Gross profit, excluding amortization | $ (3,560,516) | $ — | $ (3,560,516) | 100 % |

Revenue of $6,740,335 (December 31, 2023 – nil) from continuing operations for the three months ended December 31, 2024 was generated from the delivery of 43 electric propulsion units delivered in the United States, and Aftersales products and services. While revenue was recognized against the delivery of 43 units, the Company continues to build vehicles for delivery in 2025. Revenue recognized relates to agreements which have been fully delivered during the period. Amounts collected prior to the delivery on the Company's agreements are recorded as unearned revenue until such time all performance obligations have been completed. As at December 31, 2024, the Company recognized unearned revenue of $4,214,729 which relates primarily to deposits received in advance from the Company's customers.

Direct operating costs, excluding amortization from continuing operations grew to $9,047,000 for the three months ended December 31, 2024. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units, excluding the amortization related to intangible assets acquired. The Company realized negative gross profit of $3,560,516 for the three months ended December 31, 2024. Cost-saving measures implemented during the year resulted in bill of materials reductions, expected to be realized in 2025.

***Selling, general and administration***

| | For the three months ended | | | |
|---|---|---|---|---|
| | December 31, 2024 | December 31, 2023 | $ Change | % Change |
| Selling, general and administration | $ 3,956,833 | $ 2,663,438 | 1,293,395 | 49 % |

Selling, general and administration expense increased during the three months ended December 31, 2024 by $1,293,395 to $3,956,833 (December 31, 2023 – $2,663,438). The increase is primarily related to the larger combined Company post-merger with SEA Electric and attributable to:

- Increased computer, internet and software expenses attributable to higher usage and subscriptions post-merger.
- Increased insurance costs incurred to cover expanded operations following the acquisition;
- Higher professional fees incurred in the period, related primarily to tax, legal, and accounting fees. The fees have increased with the increase in operations through the acquisition of SEA Electric;

- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period;
- Higher travel related expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries;

***Payroll and consulting***

| | For the three months ended | | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2024 | | December 31, 2023 | $ Change | % Change |
| Payroll and consulting fees | $ | 6,785,635 | $ | 4,339,570 | 2,446,065 | 56 % |

Payroll and consulting fees increased during the three months ended December 31, 2024, by $2,446,065 to $6,785,635 (December 31, 2023 – $4,339,570). The increase is directly related to the acquisition of SEA Electric, and the net increase in headcount resulting from the merger. Payroll costs in the period also includes severance expense of $378,172 incurred as part of the restructuring and realignment necessary to realize operational synergies. The Company focused on restructuring its workforce during the period through the removal of duplicate roles across the business, and the disposal of its engineering services division.

***Research and development***

| | For the three months ended | | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2024 | | December 31, 2023 | $ Change | % Change |
| Research and development | $ | 97,542 | $ | 1,944,172 | (1,846,630) | (95) % |
| Payroll and consulting fees (related to R&D) | | 1,190,019 | | 1,729,690 | (539,671) | (31) % |
| Share-based payments | | — | | 156,457 | (156,457) | 100 % |
| Research and development | $ | 1,287,561 | $ | 3,830,319 | (2,542,758) | (66) % |

Research and development costs decreased by $2,542,758 to $1,287,561 (December 31, 2023 – $3,830,319) for the three months ended December 31, 2024. The costs are related to those incurred directly in continuing operations as the Company continues to focus on the delivery of its Coil Driver™ and Cell Driver™ through to production. The decrease was seen primarily through a reduction in material costs and outside service fees incurred in the period, coupled with a decrease in labor costs related to the reduction in its headcount in the second half of the year.

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

**For the twelve months ended December 31, 2024, compared to the twelve months ended December 31, 2023**

***Revenue from continuing operations***

| | For the twelve months ended | | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2024 | | December 31, 2023 | $ Change | % Change |
| Revenue | $ | 23,074,027 | $ | — | 23,074,027 | 100 % |
| Direct operating costs, excluding amortization | | 29,851,169 | | — | 29,851,169 | 100 % |
| Inventory provision | | 1,863,904 | | — | 1,863,904 | 100 % |
| Gross profit, excluding amortization | $ | (8,641,046) | $ | — | (8,641,046) | 100 % |

Revenue from continuing operations of $23,074,027 was generated from the delivery of 153 electric propulsion units, delivered in the US and Australia and from Aftersales products and services in the period.

Direct operating costs, excluding amortization from continuing operations increased to $29,851,169 for the twelve months ended December 31, 2024, directly related to the increase in sales through the acquisition of SEA Electric. Direct operating costs are recognized in conjunction with revenue. Direct operating costs consist of labor, materials, and direct and indirect overhead amounts allocated required to complete the delivered units.

The Company recognized a provision against inventory of $1,863,904, as a result of realized negative margins, to adjust inventory on hand to its net realizable value. The amount is a non-cash adjustment and relates to inventory which will be delivered against the Company's purchase orders in subsequent periods.

Exro remains focused on cost optimization and revenue growth strategies through its strategic partnerships with OEMs and refining its pricing to ensure sustainable margins and enhance profitability.

***Selling, general and administration***

| | For the twelve months ended | | | |
|---|---|---|---|---|
| | **December 31, 2024** | **December 31, 2023** | **$ Change** | **% Change** |
| Selling, general and administration | $ 14,913,478 | $ 10,152,263 | 4,761,215 | 47 % |

Selling, general and administration expense increased during the twelve months ended December 31, 2024, by $4,761,215 to $14,913,478 (December 31, 2023 – $10,152,263). The increase is primarily attributable to:

- Increase in professional fees related to the merger with SEA Electric, which closed on April 5, 2024. The increase in professional fees included higher legal, tax and accounting costs, necessarily incurred for diligence and compliance purposes.
- Increase in costs related to regulatory and filing fees, directly linked to the increase in shares outstanding during the period.
- Increase in office and general costs, including investor relations, insurance and rent expense, and software and licenses directly related to the acquisition of SEA Electric in the period and the higher operational demands as a result,
- Increased travel expenses primarily related to the acquisition of SEA Electric in the period, and support of OEM customer deliveries.
- Conversely, marketing and advertising expenses saw a decline as promotional activities were reduced, and lower spending on other office and administrative categories including education and training, engineering and shop supplies and maintenance and repairs, offset the overall increase resulting from the transitional costs noted above.

***Payroll and consulting***

| | For the twelve months ended | | | |
|---|---|---|---|---|
| | **December 31, 2024** | **December 31, 2023** | **$ Change** | **% Change** |
| Payroll and consulting fees | $ 27,150,045 | $ 15,562,210 | 11,587,835 | 74 % |

Payroll and consulting fees increased during the twelve months ended December 31, 2024 by $11,587,835 to $27,150,045 (December 31, 2023 – $15,562,210). The change is directly related to the acquisition of SEA Electric, and the resulting increase in headcount from the merger. Payroll and consulting fees included nonrecurring severance payments of $1,028,959 which were incurred as part of the restructuring and realignment of the business in order to realize operational synergies.

***Research and development***

| | For the twelve months ended | | | |
|---|---|---|---|---|
| | **December 31, 2024** | **December 31, 2023** | **$ Change** | **% Change** |
| Research and development | $ 3,259,068 | $ 5,061,155 | (1,802,087) | (36) % |
| Payroll and consulting fees (related to R&D) | 5,622,250 | 6,060,202 | (437,952) | (7) % |
| Share-based payments | 37,428 | 666,737 | (629,309) | (94) % |
| Research and development | 8,918,746 | 11,788,094 | (2,869,348) | (24) % |

Research and development costs decreased by $2,869,348 to $8,918,746 (December 31, 2023 – $11,788,094) for the twelve months ended December 31, 2024. These costs primarily consist of engineering resources, consulting, and materials to commercialize the Company's technologies to production. Changes to the research and development amounts are as follows:

- Decrease in direct research and development costs mainly due to the advanced development stage and maturity of Coil Drivers and Cell Drivers and a slowdown in R/D, coupled with cost recoveries from collaborative agreement partners

- Reduced payroll and consulting fees directly related to engineering resources required for the development and validation of Exro's products. Amounts allocated from payroll are directly related to the Company's delivery on projects and partnerships in order to reach commercialization and saw a decline in the period due to reduced headcount.
- Decrease in share-based payments as no new stock options related to R/D were granted in the period.

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

**RESULTS FROM DISCONTINUED OPERATIONS**

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

**(a) Results from discontinued operation**

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

| | For the twelve months ended December 31, | | | |
|---|---|---|---|---|
| | | **2024** | | **2023** |
| Revenue | $ | 2,332,098 | $ | 5,736,140 |
| Cost of sales | | 1,549,468 | | 3,203,735 |
| **Gross Profit** | **$** | **782,630** | **$** | **2,532,405** |
| | | | | |
| **EXPENSES** | | | | |
| Research and development | $ | 484,809 | $ | 1,048,798 |
| Selling, general and administration | | 424,863 | | 731,487 |
| Depreciation expense | | 269,360 | | 379,666 |
| Interest expense | | 57,201 | | 132,083 |
| **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** |

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

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

## OUTSTANDING SHARE DATA

As of March 31, 2025, there were 549,513,254 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

| | Number outstanding as of March 31, 2025 | Number outstanding as of December 31, 2024 |
|---|---|---|
| Common shares issued and outstanding | 549,513,254 | 540,802,464 |
| Preferred shares issued and outstanding | 51,882,782 | 57,746,424 |
| Options | 52,084,318 | 11,430,990 |
| Warrants | 63,622,874 | 69,905,010 |
| RSUs | 2,109,203 | 4,856,350 |
| PSUs | 343,125 | 397,875 |

The Company issued 146,453,200 common shares, 160,589,446 convertible preferred shares, 15,457,723 RSUs, 4,085,873 options, and 13,192,842 warrants in connection with the close of the acquisition of SEA Electric on April 5, 2024. The Company issued an additional 106,600,450 common shares for gross proceeds of $30,020,000, on the conversion of Subscription receipts issued February 16, 2024 to common shares on close of the transaction. On September 13, 2024 the Company issued an additional 71,429,000 common shares for gross proceeds of $25,000,150, including the issuance of 3,571,450 shares issued as a finders fee in connection with the raise. The Company issued 37,500,225 warrants and 2,857,160 broker warrants as part of the equity financing closed on September 13, 2024.

Subsequent to December 31, 2024, the Company issued 40,907,028 options to employees, directors and executives at a share price of $0.10. In addition, 7,352,759 preferred shares were converted into common shares. 100,000 RSUs were issued while 2,847,148 RSUs were settled into 1,358,031 common shares and 1,489,117 preferred shares in accordance with the terms of the Company's long term incentive plan.

## SOURCES AND USES OF CASH

| | For the twelve months ended December 31, 2024 | For the twelve months ended December 31, 2023 |
|---|---|---|
| Cash used in operating activities | $ (51,465,081) | $ (42,606,366) |
| Cash used in investing activities | (2,638,434) | (9,058,764) |
| Cash provided by financing activities | 54,591,532 | 39,830,833 |
| Impact of foreign currency translation | (4,470,318) | 631,502 |
| Decrease in cash and cash equivalents | $ (3,982,301) | (11,202,795) |
| Ending cash balance | $ 2,258,875 | $ 6,241,176 |

Cash used in operating activities increased to $51,465,081 for the twelve months ended December 31, 2024, compared to $42,606,366 during the same period in 2023. The increase in cash used in operating activities related to the production and assembly of SEA Drives® in the period, as well as transaction costs incurred as the Company completed the acquisition of SEA Electric. Further the Company saw an increase in payroll expense in the period as a result of the increased headcount while the Company completed various restructuring activities, including a reduction in the workforce of the combined entity. Operating cash flow in the period was also impacted by changes in working capital, as the integration of acquired operations led to higher receivables, increased inventory levels and payables and a resultant working capital deficit. Collectively these factors resulted in a decline in operating cash flow for the period. The company is focused on continuous cost control measures by reducing discretionary spending and streamlining operating expense, as well as improving working capital management through balancing receivables collections and timing of supplier payments, ultimately to stabilize operating cash flow.

Cash used in investing activities of $2,638,434 for the twelve months ended December 31, 2024 was related to the purchase of capital equipment during the period. Cash used in investing activities reflects a reduction in capital expenditures from prior period which included investments in capital equipment related to the Company's testing capacity and production facility. Cash outflows related to capital expenditure are expected to continue to decline as the business transitions to an asset light model with reduced capital-intensive investments and asset acquisitions.

Cash provided by financing activities for the twelve months ended December 31, 2024 increased to $54,591,532 compared to cash provided from financing activities of $39,830,833 during the same period in 2023. Cash from financing activities was primarily attributable to the equity raise completed in conjunction the acquisition of SEA Electric in Q2 2024 and additional raise completed in the third quarter 2024 and was primarily used to fund operating activities.

The increase in the impact of foreign currency translation is primarily driven by the revaluation of the Company's foreign-denominated balances, notably intangible assets. The fluctuation in exchange rate at the end of the period resulted in a higher translation adjustment leading to increased foreign exchange losses in the period.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, the Company had cash of $2,258,875 and accounts receivable of $1,720,528 while accounts payable and accrued liabilities and other payables totaled $36,808,049. In order to carry out planned development and meet operating demands, the Company will spend its existing working capital and raise additional funds as needed through but not limited to debt and/or equity financing. Subsequent to year end, the Company secured approximately $10.8 million through additional drawdown on the promissory notes.

## GOING CONCERN ASSUMPTION

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

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

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

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

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

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

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

**IMPAIRMENT**

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

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

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

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

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

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

A comparison of the recoverable amounts for the Exro SEA Drive CGU to the carrying value resulted in an impairment expense of $223,215,594 (adjusted for a measurement period adjustment in Q4 2024 related to deferred taxes). The Company recognized a write-down of goodwill of $153,184,193, and $70,031,401 of impairment on the intangible assets acquired. The remaining carrying value of the SEA Drive CGU is $139,497,089 after impairment.

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

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

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

**INVESTMENT**

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

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

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements for the three and twelve months ended December 31, 2024.

**CRITICAL JUDGMENTS**

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

i. Management is required to assess the functional currency of the Company and its subsidiaries. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**PROPOSED TRANSACTIONS**

The Company closed its acquisition of SEA Electric on April 5, 2024. There are no other proposed transactions.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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

**APPROVAL**

The Company's Board of Directors has approved the Company's consolidated financial statements for the three and twelve months ended December 31, 2024. The Company's Board of Directors has also approved the disclosures contained in this MD&A.

**RELATED PARTY TRANSACTIONS**

**Key management compensation**

Key management consists of the Officers and Directors who are responsible for planning, directing and controlling the activities of the Company. For the three and twelve months ended December 31, 2024, the following expenses were incurred to the Company's key management:

| | For the three months ended | | For the twelve months ended | |
|---|---|---|---|---|
| | **December 31, 2024** | **December 31, 2023** | **December 31, 2024** | **December 31, 2023** |
| Payroll and consulting fees | 796,631 | 1,498,140 | 4,032,973 | 4,184,323 |
| Share-based payments | 21,774 | 655,944 | 529,427 | 3,534,082 |
| | 818,405 | 2,154,084 | 4,562,400 | 7,718,405 |

Decreased expenses related to key management compensation relate primarily to changes in composition of key management compared to the same period in 2023. Decrease in the three months ended December 31, 2024 relates to the absence of bonus expenses which were incurred in the prior period whereas no such bonuses were paid in the current period.

**FINANCIAL INSTRUMENTS**

**(a) Fair value**

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

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

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

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

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

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

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

**(b) Financial risk management**

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

***Credit risk***

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

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

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

***Liquidity risk***

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

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

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

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

***Market risk***

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

***Foreign exchange risk***

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At December 31, 2024, the Company had the equivalent of $93,424,619 of net financial liabilities denominated in US dollars, $1,194,869 of net financial liabilities denominated in Euros, and $2,2272,303 of net financial liabilities denominated in Australian Dollars.

***Interest rate risk***

Interest rate risk consists of two components:

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

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

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

***Other price risk***

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

**CONTROLS AND PROCEDURES**

***Disclosure Controls and Procedures***

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

***Internal Controls Over Financial Reporting***

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

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

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

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud. The Company identified a material weakness in its ICFR during the period ended June 30, 2024, described further below.

**Scope limitation**

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

**Identified material weakness**

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

In conjunction with the preparation of the Company's consolidated financial statements for the period ended December 31, 2024, Management concluded a material weakness existed in the Company's internal controls over financial reporting. As at September 30, 2024, the Company did not have sufficient accounting and financial reporting personal available to adequately address complex accounting and valuation matters like those associated with the acquisition accounting of SEA Electric on April 5, 2024, including the timely preparation and review of financial statements and other external reporting. The material weakness resulted in material adjustments to our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024.

*December 31, 2024, Update*

As at December 31, 2024, the material weakness still exists however the Company has taken steps to improve its DC&P and ICFR and remediate the material weakness through addition of qualified accounting personal with experience in complex accounting matters and financial reporting in accordance with IFRS, to directly assist in the timely preparation of financial statements and strengthen its accounting function. Additionally, the Company has also engaged consultants to assist with complex accounting matters where necessary to ensure the appropriate treatment of such matters. Furthermore, the Company has enhanced its internal review process and implemented segregation of duties across accounting personnel to ensure appropriate and adequate review controls are in place. These measures are expected to improve the efficiency and accuracy of the Company's financial reporting process. The Company will continue to assess the effectiveness of these remediation efforts over time.

**RISKS FACTORS**

Current and prospective shareholders should specifically consider various risk factors, including, but not limited to, the risks outlined below and particularly under the heading "*Risk Factors*" in the Company's 2024 Annual Information Form filed on SEDAR+ (www.sedarplus.ca). Should one or more of these risks or uncertainties, including the risks listed below, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein.

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

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

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

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of March 31, 2025 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

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

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

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

- Exro's business plans, outlook and strategy;
- Exro's expectation with respect to its future purchase orders, sales agreements, and production;
- Exro's expectation with respect to its future hiring and R&D activities;
- Expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same;
- Anticipated supply and demand of Exro's products; and
- Expectations with regard to Exro's ability to maintain and raise adequate source of funding to finance the Company's operations and development; and
- The results of the Company's merger with SEA Electric, and the future operations including synergy's, revenue acceleration, multi-year commitments and path to profitability.

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, **"FOFI"**) about Exro's prospective financial position. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Exro's anticipated future business operations.

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

- Factors outside Exro's control may impact Exro's ability to successfully execute its commercialization plan;
- Potential delays in Coil Driver™ on road validation testing with customers;
- May not have enough orders to fill full capacity of the production facility;
- Anticipated market demand and sales orders may differ based on changes in customers' pipelines and/or product requirements;
- A joint promotion of the technology by Linamar and Exro to the market with the intention of commercializing the Coil Driver™ e-Axle into series production may not realize unless the validation testing is complete and successful;
- Potential delays in completion of testing and validation of future Coil Driver™ prototypes.

- Continuous SEA drive production in a timely and sufficient manner to meet demand
- Significant shift in the demand, adoption and regulatory landscape of passenger and commercial EVs
- Geopolitical risks and considerations particularly arising from domestic and international trade laws and tariffs

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

Calgary, AB March 31, 2025