

## **NASDAQ GOVERNANCE COMPLIANCE**

NASDAQ Marketplace Rule 5615(a)(3) permits a foreign private issuer to follow its home country practice in lieu of most of the requirements of the 5600 Series of the NASDAQ Marketplace Rules. In order to claim such an exemption, Exro is providing this disclosure to describe the significant differences between its corporate governance practices and those required to be followed by U.S. domestic issuers under NASDAQ's corporate governance requirements. Set forth below is a summary of such differences. In each case, Exro's practice is lawful and permitted in its home country (Canada).

### **Shareholder Meeting Quorum Requirements**

The NASDAQ minimum quorum requirement under NASDAQ Marketplace Rule 5620(c) for a shareholder meeting is 33-1/3% of the outstanding shares of common stock. In addition, a company listed on NASDAQ is required to state its quorum requirement in its by-laws.

Exro follows applicable Canadian laws with respect to quorum requirements. Exro's quorum requirement is set forth in its Articles of Incorporation, which currently provide that subject to the special rights or restrictions attached to the shares of any class or series of shares (and there are presently no such special rights attaching to any shares of Exro), a quorum for the transaction of business at a meeting of shareholders is present if shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting are present in person or represented by proxy, irrespective of the number of persons actually present at the meeting.

### **Shareholder Approval Requirements**

NASDAQ Marketplace Rule 5635 requires each issuer to obtain shareholder approval prior to certain dilutive events, including a transaction other than a public offering involving the sale of 20% or more of the issuer's common shares outstanding prior to the transaction for less than the greater of book or market value of the stock.

Exro does not follow this NASDAQ Marketplace Rule. Instead, and in accordance with the NASDAQ exemption, Exro will comply with applicable Toronto Stock Exchange rules. Such rules require issuers to obtain shareholder approval prior to a distribution of common shares (other than in respect of public offerings) that involve the sale of more than 25% of the issuer's outstanding common shares prior to the transaction.

In addition, Section 5635 requires shareholder approval of most equity compensation plans and material revisions to such plans, as well as with respect to the sale of Exro's securities at a discount to their market value to an officer, director, employee or consultant. Exro does not follow this NASDAQ Marketplace Rule. Instead, and in accordance with the NASDAQ exemption, Exro will continue to comply with the applicable Toronto Stock Exchange rules which only require that (1) the creation of, or certain material amendments to, equity compensation plans require shareholder approval and (2) the sale of our common shares at a discount to officers and directors require shareholder approval only in specified circumstances.

### **Review of Related Party Transactions**

NASDAQ Marketplace Rule 5630 requires review and oversight of all "related party transactions" (within the meaning of Item 7.B of Form 20-F promulgated by the United States Securities and Exchange Commission) for potential conflict of interest situations on an ongoing basis by the issuer's audit committee or another independent body of the board of directors. For purposes of this Rule, a "related party transaction" includes, among other things, transactions that (1) involve directors or senior management of the issuer or close members of such individuals' families and (2) are material to the issuer or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets.

Exro does not follow this NASDAQ Marketplace Rule. Instead, and in accordance with the NASDAQ exemption, Exro will continue to comply with applicable Toronto Stock Exchange rules, which do not require review of related party transactions in a public offering by the issuer's audit committee or another independent body of the board of directors.