



NOTICE OF SPECIAL MEETING
and
MANAGEMENT INFORMATION CIRCULAR
of
Exro Technologies Inc.
for the
SPECIAL MEETING OF SHAREHOLDERS
to be held on April 4, 2024

March 6, 2024

www.exro.com

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EXRO TECHNOLOGIES INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the special meeting (the "**Meeting**") of the holders ("**Exro Shareholders**") of common shares ("**Exro Common Shares**") of Exro Technologies Inc. ("**Exro**" or the "**Corporation**") will be held at 4200 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5, on April 4, 2024 at 11:00 a.m. (Mountain time) to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution (the "**Share Issuance Resolution**"), the full text of which is included as Appendix A to the accompanying management information circular (the "**Circular**"), authorizing (i) the issuance by the Corporation of up to 398,549,647 Aggregate Exro Common Shares and 10,000,000 Additional Exro Common Shares (as such terms are defined in the Circular), and (ii) the issuance of 31,600,000 Underlying Shares on conversion of the Subscription Receipts pursuant to the terms of the Subscription Receipt Agreement (as such terms are defined in the Circular), all as more particularly described in the Circular.

We will also consider other business as may properly be brought before the Meeting or any adjournment or postponement thereof. This Notice of Special Meeting of Exro Shareholders is accompanied by the Circular and a form of proxy or voting instruction form (as applicable). Exro Shareholders are referred to the Circular for more detailed information regarding the Meeting.

The board of directors of Exro (the "**Exro Board**") has fixed February 20, 2024 as the record date for the Meeting (the "**Record Date**"). Exro Shareholders of record as at the close of business on the Record Date are entitled to notice of the Meeting and to vote their Exro Common Shares thereat or at any adjournment or postponement thereof. As of the Record Date, there are 170,121,819 Exro Common Shares and no Exro Preferred Shares (including Exro Convertible Preferred Shares) issued and outstanding. Each Exro Common Share entitles the shareholder to one vote at the Meeting.

Any registered Exro Shareholder unable to attend the Meeting in person is entitled to appoint a proxyholder to attend and vote in their stead. If you cannot be personally present, please refer to the notes accompanying the form of proxy enclosed and then complete and deposit the form of proxy with Odyssey Trust Company ("**Odyssey**"), Attention: Proxy Department, Trader's Bank Building, 702 67 Yonge Street, Toronto, ON M5E 1J8, or by email at proxy@odysseytrust.com, within the time set out in the notes below.

The form of proxy must be signed by the registered Exro Shareholder or by their attorney authorized in writing, or, if the registered Exro Shareholder is a corporation, by an officer or director thereof as an authorized signatory. To be voted at the Meeting, your completed form of proxy must be received before 11:00 a.m. (Mountain time) on April 2, 2024, or not less than 48 hours (excluding Saturdays, Sundays

and holidays within the Province of British Columbia) prior to the time fixed for holding the Meeting (or any adjournment or postponement thereof).

The enclosed form of proxy is solicited by management, but you may amend it, if you so desire, by striking out the names of the management proxyholders shown and inserting in the space provided the name of the person you wish to represent you at the Meeting.

While registered shareholders are entitled to attend the Meeting in person, we recommend that all shareholders vote by proxy and accordingly ask that registered shareholders complete, date and sign the enclosed form of proxy, or another suitable form of proxy, and deliver it in accordance with the instructions set out in the attached form of proxy and the Circular.

If you hold your common shares of Exro in a brokerage account, you are a non-registered shareholder (a "**Beneficial Shareholder**"). Beneficial Shareholders who hold their Exro Common Shares through a bank, broker or other financial intermediary should carefully follow the instructions found on the form of Proxy or VIF provided to them by their intermediary, to cast their vote.

In order to become effective, the Share Issuance Resolution must be approved by not less than a majority of the votes cast by Exro Shareholders present at the Meeting or represented by proxy at the Meeting and voting thereon.

In the Circular, you will find important information and instructions about how to participate at the Meeting. Every vote matters. To ensure that your vote is received on time, Exro Shareholders are encouraged to vote online in advance of the 11:00 a.m. (Mountain time) on April 4, 2024 vote deadline.

If you have any questions or require assistance with voting your shares, please contact our proxy solicitation agent, Carson Proxy, at North American toll free 1-800-530-5189, local (collect outside North America): 416-751-2066 or by email at info@carsonproxy.com.

The Exro Board unanimously recommends that Exro Shareholders vote FOR the Share Issuance Resolution.

DATED this 6th day of March, 2024.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "Rodney Copes"

Name: Rodney Copes

Title: Chairman

MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Fellow Shareholders:

On January 29, 2024, Exro Technologies Inc. ("**Exro**") entered into an Agreement and Plan of Merger (as amended) (the "**Merger Agreement**") with SEA Electric Inc. ("**SEA**") and eTruck VCU Acquisition Inc., an indirect wholly-owned subsidiary of Exro ("**Merger Sub**") that provides for the acquisition of SEA by Exro. Under the Merger Agreement, Merger Sub will merge with and into SEA and SEA shall continue its corporate existence under Delaware law as the surviving corporation in the merger and will be an indirect wholly-owned subsidiary of Exro (together with the other transactions contemplated by the Merger Agreement, the "**Transaction**"). Completion of the Transaction will result in a fully integrated next generation power systems provider.

We are pleased to invite you to attend a special meeting of the holders ("**Exro Shareholders**") of common shares ("**Exro Common Shares**") of Exro to be held at 11:00 a.m. (Mountain time) on April 4, 2024 (the "**Exro Special Meeting**"). Exro is holding the Exro Special Meeting at the offices of Stikeman Elliott LLP, 4200 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5. Exro Shareholders will be able to vote on all business properly brought before the Exro Special Meeting as further described in the accompanying management information circular of Exro dated March 6, 2024 (the "**Circular**"). Exro Shareholders that vote by proxy ahead of the Exro Special Meeting will be able to do so in the usual way. More details about voting can be found in the Circular under the heading "*General Information for the Exro Special Meeting – Voting of Proxies*".

The Merger Agreement and the Transaction were unanimously approved by the respective boards of directors of Exro and SEA. Under the Merger Agreement, each share of common stock of SEA ("**SEA Common Stock**") and each share of preferred stock of SEA ("**SEA Preferred Stock**"), other than certain excluded shares as described in the Merger Agreement, will be converted automatically into the right to receive fully paid and non-assessable Exro Common Shares and series 1 preferred shares of Exro (the "**Exro Convertible Preferred Shares**"), respectively, at a fixed exchange ratio set out in the Merger Agreement the ("**Merger Consideration**"). This exchange ratio will not be adjusted for fluctuations in the market price of Exro Common Shares or shares of SEA Common Stock or SEA Preferred Stock between the date of the Merger Agreement and the closing of the Transaction.

In connection with the Transaction, Exro has completed a bought deal private placement of subscription receipts of Exro (the "**Subscription Receipts**"), raising aggregate gross proceeds of \$30,020,000 through the sale and issuance of 31,600,000 Subscription Receipts (the "**Financing**"). The net proceeds raised under the Financing are being held in escrow and will be released upon satisfaction or waiver of certain escrow release conditions (including the satisfaction or waiver of all conditions precedent to the completion of the Transaction) (the "**Escrow Release Conditions**"). Upon satisfaction of the Escrow Release Conditions and concurrently with the closing of the Transaction, without payment of additional consideration each Subscription Receipt will be converted into one Exro Common Share (each an "**Underlying Share**").

At the Exro Special Meeting, you will be asked to approve an ordinary resolution, being a resolution approved by a majority of the votes cast by holders of outstanding Exro Common Shares represented in person or by proxy and entitled to vote at the Exro Special Meeting (the "**Share Issuance Resolution**"), approving: (i) the issuance of up to 398,549,647 Aggregate Exro Common Shares and 10,000,000 Additional Exro Common Shares (as such terms are defined in the Circular), and (ii) the issuance of 31,600,000 Underlying Shares on conversion of the 31,600,000 Subscription Receipts sold under the Financing, subject to the terms of the subscription receipt agreement dated February 16, 2024 between Exro, Canaccord Genuity Corp. and Odyssey Trust Company, all in connection with the indirect acquisition of all of the issued and outstanding shares of SEA Common Stock and SEA Preferred Stock by Exro. It is a closing condition under the Merger Agreement and a requirement under policies of the Toronto Stock Exchange that the Share Issuance Resolution be approved in order for the Transaction to close.

National Bank Financial Inc. ("**NBF**") acted as financial advisor to Exro in connection with the Transaction and provided the special committee (the "**Special Committee**") of the board of directors of Exro (the "**Board**") and the Board with an opinion (the "**Fairness Opinion**") that, as of the date of the Fairness Opinion and subject to the assumptions, limitations, qualifications, and other matters stated in the Fairness Opinion, the Merger Consideration provided by Exro to SEA Stockholders pursuant to the Transaction is fair, from a financial point of view to the Exro Shareholders (as defined herein) other than Vestcor Inc. The Fairness Opinion is attached as "*Appendix E – Fairness Opinion*" to the Circular.

The Board unanimously determined, after consulting with its legal and financial advisors, and, among other things, following the recommendation of the Special Committee and the review and consideration of the Fairness Opinion, that it is in the best interests of Exro to enter into the Merger Agreement and complete the Transaction and has resolved to recommend that the Exro Shareholders vote **FOR** the Share Issuance Resolution.

The Transaction cannot be completed without Exro Shareholders approving the Share Issuance Resolution. The Exro Board of Directors unanimously recommends that Exro Shareholders vote FOR the Share Issuance Resolution.

Please refer to the Circular for a more detailed description of the Transaction, including information about SEA, the terms and conditions of the Merger Agreement, the Fairness Opinion, information about the Exro Special Meeting, a summary of the factors considered by the Board in considering the Transaction, the Financing and the risk factors relating to Exro, SEA and the closing of the Transaction. Please give the Circular your careful consideration and, if you require assistance, consult your financial or other professional advisors.

In the Circular, you will find important information and instructions about how to participate at the Meeting. Every vote matters. To ensure that your vote is received on time, Exro Shareholders are encouraged to vote online in advance of the 11:00 a.m. (Mountain time) on April 4, 2024 vote deadline. Please remember to vote your Exro Common Shares by proxy or online in advance of the Meeting.

If you have any questions or require assistance with voting your shares, please contact our proxy solicitation agent, Carson Proxy, at North American toll free 1-800-530-5189, local (collect outside North America): 416-751-2066 or by email at info@carsonproxy.com.

Sincerely,

(Signed) "Rodney Copes"

Name: Rodney Copes
Title: Chairman

(Signed) "Sue Ozdemir"

Name: Sue Ozdemir
Title: Chief Executive Officer

EXRO MANAGEMENT INFORMATION CIRCULAR

INFORMATION CONTAINED IN THIS CIRCULAR

This Circular is provided in connection with the solicitation by management of Exro of proxies from Exro Shareholders for use at the Meeting for the purposes set out in the accompanying Notice of Special Meeting of Shareholders. No person has been authorized to give any information or make any representation in connection with the Transaction or any other matters described herein other than those statements and representations contained in this Circular. Information in this Circular is given as of February 20, 2024 or, in the case of information in a document incorporated by reference, as of the date of such document, unless the information specifically indicates that another date applies.

Exro has supplied all information contained in or incorporated by reference in this Circular relating to Exro, and SEA has supplied all information contained in or incorporated by reference in this Circular relating to SEA. See "*Information Contained in this Circular Regarding SEA*".

Exro Shareholders should not construe the contents of this Circular as legal or financial advice and should consult with their own professional advisors as to the relevant legal, financial, or other matters which pertain to their individual circumstances. Capitalized terms used in this Circular and not otherwise defined have the meanings set forth under the heading "*Glossary of Terms*".

Cautionary Statement Regarding Forward-Looking Statements

This Circular and the documents incorporated by reference herein contain certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") that are based upon Exro's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of fact. The forward-looking statements contained in this Circular are made as of the date of this Circular, and the forward-looking statements contained in the documents incorporated by reference herein and made as of the date of each such document.

The future-orientated financial information included in this Circular has been prepared by, and is the responsibility of, Exro's management. PricewaterhouseCoopers LLP or BDO USA, P.C. has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the accompanying future-orientated financial information and, accordingly, PricewaterhouseCoopers LLP or BDO USA, P.C. do not express an opinion or any other form of assurance with respect thereto. The reports S-2 of PricewaterhouseCoopers LLP and BDO USA, P.C. included or incorporated by reference in this Circular refer exclusively to the historical financial statements described therein in respect of Exro and SEA, respectively, and do not extend to the prospective or pro forma financial information included in this Circular and should not be read to do so.

Specific statements contained in or incorporated by reference in this Circular that constitute forward-looking statements or information include, but are not limited to statements with respect to:

- the anticipated timing and closing of the Transaction;
- the anticipated benefits of the Transaction, including the impact of the Transaction on Exro's operations, financial condition, cash flows and overall strategy;
- the implementation of operational improvements and cost savings initiatives following Closing;
- the anticipated conversion of the Subscription Receipts into Exro Common Shares;
- Exro's existing investments, statements or information concerning Exro's growth, acquisition and investment strategy; and
- Exro's future performance and business prospects and opportunities.

These statements reflect management's current assumptions and expectations and by their nature are subject to certain underlying assumptions, known and unknown risks and uncertainties and other factors which may cause actual results, performance or events to be materially different from those expressed or implied by such forward-looking statements. Forward looking statements are based on the reasonable assumptions, estimates, analyses and opinions of management made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Management believes that the assumptions and expectations reflected in such forward-looking statements are reasonable. Assumptions have been made regarding, among other things:

- the successful completion of the Transaction and Exro's ability to obtain the anticipated benefits therefrom;
- the accuracy of forward-looking operational and financial information and estimates provided by SEA;
- Exro's ability to integrate the business of SEA acquired pursuant to the Transaction into Exro's operations;
- the ability of Exro to meet the Escrow Release Conditions;
- the accuracy of financial and operational projections of Exro following Closing;
- the anticipated effect of the Transaction on the consolidated capitalization of Exro following Closing;
- Exro's anticipated cash needs and Exro's need for additional financing;
- Exro's ability to attract and retain strategic partners;
- Exro's ability to generate product sales and service revenue;
- Exro's ability to protect, maintain and enforce intangible property rights;
- Exro's ability to deliver its technology and services at expected volumes for expected prices;
- Exro's ability to control costs;
- Exro's ability to attract and retain skilled personnel;
- Exro's market demand for its technology;
- Exro's competitive position and expectations regarding competition;
- Exro's plans regarding its revenue, expenses and operations;
- the successful execution of Exro's business plan;
- the ability to commercialize Exro's technology;
- achievement of current timetables for research and development programs and sales;
- the availability and cost of raw materials, labour and supplies;
- the availability of additional capital;
- currency, exchange and interest rates;
- anticipated trends and challenges in Exro's business and the markets in which Exro operates;
- the satisfaction of counterparties with Exro's testing results under various contracts to which Exro is party which are potentially subject to termination in the event of unsatisfactory results; and
- global economic and financial market conditions.

Forward-looking statements contained in or incorporated by reference in this Circular are based on the assumptions described in this Circular. Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Several factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including risks related to:

- failure to complete the Transaction in all material respects in accordance with the Merger Agreement;

- failure to obtain, in a timely manner, regulatory, stock exchange and other required approvals or satisfy other conditions in connection with the Transaction;
- failure to realize the anticipated benefits of the Transaction;
- unforeseen difficulties in integrating the business of SEA pursuant to the Transaction into Exro's operations;
- unexpected costs or liabilities related to the Transaction and Exro's ability to be indemnified or to access to insurance proceeds in respect thereof;
- the inaccuracy of information provided by SEA in respect of the Transaction;
- the inaccuracy of financial and operational projections;
- the inaccuracy of pro forma information with respect to Exro's business, financial condition, cash flows and operations after giving effect to the Transaction;
- increased litigation or negative public perception as a result of the Transaction;
- increased indebtedness;
- the anticipated effect of the Transaction on the consolidated capitalization of Exro following Closing;
- increased exposure to risks relating to foreign exchange rates;
- the condition of the global economy, including trade, public health and other geopolitical risks;
- Exro's technology may not prove useful in some of the applications in which Exro envisages it being applied;
- the rate of mass adoption of products using Exro's technology;
- changes in technology or service pricing or cost;
- changes in Exro's customers' and partners' requirements, the competitive environment and/or related market conditions;
- the relative strength of the value proposition that Exro offers its customers and partners with Exro's technology and services;
- changes in the technology of Exro's customers and partners, as well as changes in competitive technologies;
- challenges or delays in Exro's technology and product development activities;
- changes in interest rates;
- disruption to the credit markets and delays in obtaining financing;
- inflationary pressures;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in the United States and Canada, or other countries in which Exro may carry on business;
- business opportunities that may be presented to, or pursued by Exro;
- operating or technical difficulties in connection with business activities;
- the possibility of cost overruns or unanticipated expenses;
- employee relations;
- the risks of obtaining and renewing necessary licenses and permits;
- the occurrence of natural disasters, hostilities, acts of war or terrorism;
- Exro may never pay any dividends;
- changes in the availability or price of raw materials, labour and supplies;
- Exro's ability to attract and retain business partners, suppliers, employees and customers;
- changing government or environmental regulations, including subsidies or incentives associated with the adoption of clean energy power systems;
- potential fluctuations in Exro's financial and business results make forecasting difficult and may restrict Exro's access to funding for Exro's commercialization plan;
- Exro is subject to risks inherent in international operations;
- Exro's access to funding and Exro's ability to provide the capital required for research and development, operations, marketing efforts and working capital requirements;
- Exro's ability to protect its intellectual property;
- Exro's ability to extract value from strategic partnerships;
- currency fluctuations, including the magnitude of the rate of change of the Canadian dollar versus the United States dollar;

- potential merger and acquisition activities, including risks related to integration, loss of key personnel, disruptions to operations, costs of integration, and the integration failing to achieve the expected benefits of the Transaction; and
- those risks discussed under the heading "*Risk Factors*" commencing on page 19 of the Exro AIF (as defined below).

These factors are not intended to represent a complete list of the factors that could affect Exro. More detailed assessment of the risks that could cause actual events or results to materially differ from management's current expectations can be found under the heading "*Risk Factors*" commencing on page 19 of the Exro AIF.

Several factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Circular or in any document incorporated by reference herein. Although Exro believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Exro undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

All forward-looking information in this Circular is expressly qualified in its entirety by these cautionary statements.

Information Contained in this Circular Regarding SEA

Certain information in this Circular has been provided by SEA, including, but not limited to, information pertaining to SEA contained in "*Appendix B – Information Concerning SEA*". With respect to this information, Exro and the Exro Board have relied exclusively upon SEA, without independent verification by Exro. Although Exro does not have any knowledge that would indicate that such information is untrue or incomplete, neither Exro nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of SEA's financial statements, or for the failure by SEA to disclose events or information that may affect the completeness or accuracy of the information provided by SEA.

Notice to Exro Shareholders Resident in the United States

THE TRANSACTION AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE TRANSACTION AND THE SHARE ISSUANCE RESOLUTION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE TRANSACTION OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The securities to be issued pursuant to the Transaction and the Share Issuance Resolution have not been and will not be registered under the U.S. Securities Act or any applicable securities laws of any state of the United States and are being issued in reliance on exclusions and exemptions from the registration requirements of the U.S. Securities Act.

The solicitation of proxies made pursuant to this Circular is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian Securities Laws. Exro Shareholders in the United States should be aware that such requirements are

different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the U.S. Exchange Act.

Financial statements included or incorporated by reference in this Circular related to Exro have been prepared in accordance with IFRS, which differs from United States generally accepted accounting principles in certain material respects, and thus they may not be comparable to financial statements of U.S. companies.

The enforcement by Exro Shareholders of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that Exro is incorporated outside the United States, that some of its respective directors and officers named in this Circular are not residents of the United States and that some of the respective assets of Exro and all or some portion of the respective assets of said persons may be located outside the United States. As a result, it may be difficult or impossible for Exro Shareholders in the United States to effect service of process within the United States upon Exro or certain of its officers and directors named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States. In addition, Exro Shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States.

Information Incorporated by Reference

The following documents, filed with the securities commissions or similar regulatory authorities in Canada are specifically incorporated by reference in, and form an integral part of, this Circular, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Circular or in any other subsequently filed document that is also incorporated by reference in this Circular:

- (a) Exro's annual information form dated March 30, 2023 for the fiscal year ended December 31, 2022 (the "**Exro AIF**");
- (b) Exro's audited annual consolidated financial statements as at and for the fiscal years ended December 31, 2022, and December 31, 2021, together with the notes thereto and the independent auditors' report thereon (the "**Exro Annual Financial Statements**");
- (c) Exro's management's discussion and analysis for the fiscal year ended December 31, 2022 (the "**Exro MD&A**");
- (d) Exro's unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2023, together with the notes thereto (the "**Exro Interim Financial Statements**");
- (e) Exro's management's discussion and analysis for the three and nine months ended September 30, 2023 (the "**Exro Interim MD&A**");
- (f) Exro's management information circular dated May 31, 2023, prepared in connection with the annual meeting of the shareholders of the Corporation held on June 30, 2023 (the "**Exro May 2023 Circular**");
- (g) Exro's material change report dated May 23, 2023 regarding the closing of the Corporation's brokered public offering of 15,525,000 Exro Common Shares at a price of \$2.25 per Exro Common Share for aggregate gross proceeds of \$34,931,250;

- (h) Exro's material change report dated January 30, 2024 regarding the announcement of the Transaction and the Financing, including the investor presentation of Exro attached thereto as Schedule "B"; and
- (i) Exro's material change report dated February 29, 2024 regarding the announcement of the closing of the Financing.

Any statement contained in this Circular or in a document incorporated by reference in this Circular shall be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular except as so modified or superseded.

All documents of the type referred to above, including material change reports (but excluding any confidential material change reports), any other document of the type referred to in section 11.1 of Form 44-101F1 – *Short Form Prospectus* and any other document explicitly described therein as being incorporated by reference in this Circular that is filed by Exro under Exro's profile on SEDAR+ at www.sedarplus.com after the date of this Circular and before the Meeting are deemed to be incorporated by reference in this Circular.

In addition, investors and Exro Shareholders may obtain free copies of this Circular and other documents incorporated herein by reference upon written request without charge from the Corporate Secretary of the Corporation at 12 – 21 Highfield Circle SE, Calgary, AB T2G 5N6, Telephone: (587) 619-1517.

Currency

All references in this Circular to dollars, "\$" or "C\$" are to Canadian dollars, unless otherwise indicated. All references in this Circular to "US\$" or "USD" are to U.S. dollars. The rates set forth below may differ from the actual rates used in Exro's accounting processes and in the preparation of Exro's consolidated financial statements or the unaudited pro forma financial information presented in this Circular.

Currency Exchange Rate Data

The following table shows, for the years and dates indicated, certain information regarding the Canadian dollar/U.S. dollar exchange rate. The information is based on the daily average exchange rate as reported by the Bank of Canada.

Such exchange rate on February 20, 2024 was US\$1.00 = \$1.3518 or \$1.00 = US\$0.7398

	<u>Period End</u>	<u>Average⁽¹⁾</u> (\$ per US\$1.00)	<u>Low</u>	<u>High</u>
Year ended December 31,				
2023.....	1.3226	1.3497	1.3128	1.3875
2022.....	1.3544	1.3011	1.2451	1.3856

(1) The average of the daily average exchange rates during the relevant period.

GLOSSARY OF TERMS

The following terms used in the Circular have the meanings set forth below.

"Acceptable Confidentiality Agreement" means a confidentiality agreement containing terms not less favorable to Exro than those contained in the Confidentiality Agreement.

"Acquisition Proposal" means, with respect to Exro or SEA, any proposal or offer with respect to any direct or indirect acquisition or purchase or license, in one transaction or a series of transactions, and whether through any merger, reorganization, consolidation, tender offer, self-tender, exchange offer, stock acquisition, asset acquisition, binding share exchange, business combination, recapitalization, liquidation, dissolution, joint venture, licensing or similar transaction, or otherwise, of (A) assets or businesses of such party and its Subsidiaries that generate 20% or more of the net revenues or net income (for the 12 month period ending on the last day of SEA's most recently completed fiscal quarter) or that represent 20% or more of the total assets (based on fair market value) of such party and its Subsidiaries, taken as a whole, immediately prior to such transaction or (B) 20% or more of any class of shares, other equity securities or voting power of such party, any of its Subsidiaries or any resulting parent company of such party, in each case other than the Merger and other transactions contemplated by the Merger Agreement.

"Action" means an action, suit, claim, arbitration, investigation, inquiry, grievance or other proceeding.

"Additional Exro Common Shares" means up to an additional 10,000,000 Exro Common Shares that may be issuable to accommodate for the effects of rounding, changes in foreign exchange rates or other issuances in connection with the Transaction.

"Affiliates" means, with respect to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

"Aggregate Exro Common Shares" means up to an aggregate of 398,549,647 Exro Common Shares made issuable in connection with the Transaction (excluding the Underlying Shares), comprised of the following: (A) pursuant to the terms of the Merger Agreement and issuable to former SEA Stockholders, (i) 307,055,837 Exro Common Shares (including 160,596,348 Exro Common Shares issuable on conversion of the 160,596,348 Exro Convertible Preferred Shares) expected to be necessary to satisfy the Merger Consideration pursuant the terms of the Merger Agreement; (ii) up to an aggregate of 4,085,873 Exro Common Shares (including 2,136,993 Exro Common Shares issuable on conversion of 2,136,993 Exro Convertible Preferred Shares) issuable on exercise of the Exro Options; (iii) up to an aggregate of 15,457,743 Exro Common Shares (including 8,084,710 Exro Common Shares issuable on conversion of 8,084,710 Exro Convertible Preferred Shares) issuable as part of the Exro RSUs; (iv) up to an aggregate of 13,192,843 Exro Common Shares issuable on exercise of the Exro Replacement Warrants; and (B) pursuant to the terms of the Restructuring Agreement, up to an additional 58,757,351 Exro Common Shares issued upon the optional conversion of the Per Occurrence Conversion Cap of the Convertible Promissory Notes.

"Aggregate Share Listing Conditions" means conditions in the letter(s) of the TSX granting conditional listing approval of the listing of the Aggregate Exro Common Shares and the Additional Exro Common Shares, including receipt of the Exro Shareholder Approval.

"Alternative Acquisition Agreement" means any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement or similar agreement providing for the consummation of a transaction contemplated by any Acquisition Proposal.

"Articles of Amendment" means the articles of amendment of Exro substantially in the form of Exhibit F to the Merger Agreement.

"associate" has the meaning ascribed thereto under the Securities Act.

"Authorization" means, with respect to any Person, any order, permit, certificate, approval, consent, waiver, lease, grant, classification, registration, license or other authorization of any Governmental Entity having jurisdiction over the Person.

"BCBCA" means the *Business Corporations Act* (British Columbia).

"Beneficial Shareholders" means non-registered holders of Exro Common Shares.

"Board Recommendation" means a statement that the Exro Board has, after receiving legal and financial advice, unanimously determined that the Transaction is in the best interests of Exro and unanimously recommends that the Exro Shareholders vote in favour of the Share Issuance Resolution.

"Broadridge" means Broadridge Financial Services, Inc.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in Calgary, Alberta or New York, New York are authorized or required by applicable Law to be closed.

"Canaccord" means Canaccord Genuity Corp.

"Canadian Securities Regulators" means the applicable Canadian securities commissions or Canadian securities regulatory authorities.

"Canadian Securities Laws" means the Securities Act and all other applicable Canadian corporate and securities laws and the respective rules, regulations, instruments, blanket orders and blanket rulings under such laws together with applicable published policies, policy statements, and notices of the Canadian Securities Regulators.

"Circular" means the Notice of Special Meeting together with this management information circular, including all schedules, appendices and exhibits hereto, and information incorporated by reference herein, to be sent to Exro Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time.

"Closing" means the closing of the Merger.

"Closing Date" means the date on which the Closing occurs.

"Combined Company" means Exro as the indirect and sole owner of SEA, after the Closing.

"Combined Company Board" means the board of directors of the Combined Company.

"Confidentiality Agreement" means the confidentiality agreement dated May 7, 2023 between Exro and SEA.

"Contract" means any material written bond, debenture, note, mortgage, indenture, guarantee, license, lease, purchase or sale order or other contract, commitment, agreement, instrument, including all amendments thereto.

"Convertible Promissory Notes" has the meaning ascribed thereto under "*The Transaction – Debt Restructuring of SEA - Convertible Promissory Notes*".

"Corporation" means Exro Technologies Inc., a corporation organized under the Laws of the Province of British Columbia.

"Dividend Equivalent Payment" means an amount per Subscription Receipt, if any, equal to the aggregate amount per Exro Common Share of any cash dividends, net of any applicable withholding taxes, declared by the Exro Board on the Exro Common Shares to holders of record on a date during the period from, and including, February 16, 2024 to, but excluding, the Closing Date.

"DGCL" means the General Corporation Law of the State of Delaware.

"Effective Time" means the time the Merger becomes effective.

"Escrowed Financing Proceeds" has the meaning ascribed thereto in *"The Financing"*.

"Escrowed Proceeds" has the meaning ascribed thereto in *"The Financing"*.

"Escrow Release Conditions" means the following, all as satisfied or waived: (i) the satisfaction of all conditions precedent to the completion of the Merger set forth in the Merger Agreement, other than the release of the Escrowed Proceeds to Exro pursuant to the Subscription Receipt Agreement and other conditions which by their nature cannot be satisfied until the Effective Time, shall have been satisfied to the satisfaction of, or waived by, Canaccord, on behalf of the Underwriters, and Exro, as applicable; and (ii) the Escrow Release Notice is delivered to the Subscription Receipt Agent.

"Escrow Release Notice" has the meaning ascribed thereto in the Subscription Receipt Agreement.

"Exchange Ratio" means 65.9629.

"Excluded Shares" has the meaning ascribed thereto in the Merger Agreement.

"Existing SEA Notes" has the meaning ascribed thereto under *"The Transaction – Debt Restructuring of SEA - Convertible Promissory Notes"*.

"Exro" means Exro Technologies Inc., a corporation organized under the Laws of the Province of British Columbia.

"Exro AIF" has the meaning ascribed thereto under the heading *"Information Contained in this Circular – Information Incorporated by Reference"*.

"Exro Annual Financial Statements" has the meaning ascribed thereto under the heading *"Information Contained in this Circular – Information Incorporated by Reference"*.

"Exro Board" means the board of directors of Exro.

"Exro Board Recommendation Change" has the meaning ascribed thereto under *"The Merger Agreement – Change of Recommendation"*.

"Exro Common Shares" means common shares in the capital of Exro.

"Exro Constating Documents" means Exro's and Merger Sub's articles of incorporation and notice of articles, and the articles of incorporation and notice of articles (or comparable organizational documents) of each Subsidiary of Exro, as amended to the date of the Merger Agreement.

"Exro Convertible Preferred Shares" means the series 1 Exro Preferred Shares to be issued subject to filing of the Articles of Amendment.

"Exro Disclosure Letter" means the disclosure letter delivered by Exro to SEA in connection with the execution of the Merger Agreement.

"Exro Interim Financial Statements" has the meaning ascribed thereto under the heading *"Information Contained in this Circular – Information Incorporated by Reference"*.

"Exro Interim MD&A" has the meaning ascribed thereto under the heading "*Information Contained in this Circular – Information Incorporated by Reference*".

"Exro Material Adverse Effect" has the meaning ascribed thereto in the Merger Agreement.

"Exro May 2023 Circular" has the meaning ascribed thereto under the heading "*Information Contained in this Circular – Information Incorporated by Reference*".

"Exro MD&A" has the meaning ascribed thereto under the heading "*Information Contained in this Circular – Information Incorporated by Reference*".

"Exro Option" means an option to purchase Exro Common Shares and Exro Convertible Preferred Shares.

"Exro Plans" has the meaning ascribed to the term "Parent Plans" in the Merger Agreement.

"Exro Preferred Shares" means preferred shares in the capital of Exro, issuable in series.

"Exro Prospectus Supplement" means the amended and restated shelf prospectus supplement of Exro dated March 6, 2024, amending and restating the shelf prospectus supplement of Exro dated March 5, 2024, incorporated or deemed to be incorporated in the Exro Shelf Prospectus in connection with the qualification for distribution of the Underlying Shares, and filed with the appropriate securities commissions or similar regulatory authorities in each of the provinces and territories of Canada.

"Exro Replacement Warrants" has the meaning ascribed thereto under "*The Transaction – Debt Restructuring of SEA – Treatment of Warrants*".

"Exro RSU" means a restricted share interest in Exro Common Shares and Exro Convertible Preferred Shares.

"Exro Shareholder Approval" means the affirmative vote of a majority of the votes cast by Exro Shareholders represented in person or by proxy and entitled to vote on such matters in favour of the approval of the Share Issuance Resolution at the Meeting, or any adjournment or postponement thereof.

"Exro Shareholders" means holders of the Exro Common Shares.

"Exro Shelf Prospectus" means the final short form base shelf prospectus of Exro dated May 8, 2023, including the documents incorporated or deemed to be incorporated by reference therein.

"Exro Superior Proposal" means any unsolicited *bona fide* binding written Acquisition Proposal that is fully financed or has fully committed financing that the Exro Board determines in good faith (after consultation with outside counsel and its financial advisor), taking into account all legal, financial, regulatory and other aspects of the proposal and the Person making the proposal, is (A) more favorable to the Exro Shareholders from a financial point of view than the Transaction (including any adjustment to the terms and conditions proposed by Parent in response to such proposal) and (B) reasonably likely of being completed on the terms proposed on a timely basis; provided, that, for purposes of this definition of "Superior Proposal," references in the term "Acquisition Proposal" to "20%" shall be deemed to be references to "50%".

"Exro Termination Fee" means the amount of US\$11,429,000.

"Exro Voting Agreements" means the voting and support agreements entered into between each director and officer of Exro as at January 29, 2024, on the one hand, and Exro on the other.

"Fairness Opinion" means the written and verbal fairness opinion provided by NBF to the Exro Board and the Special Committee on January 29, 2024.

"Financing" has the meaning ascribed thereto under "*The Financing*".

"Governmental Entity" means any United States or non-United States federal, national, supranational, state, provincial, local or similar government, governmental, regulatory or administrative authority, branch, agency or commission or any court, tribunal, department, or arbitral or judicial body (including any grand jury).

"IFRS" means International Financial Reporting Standards as incorporated in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis.

"IRS" means the Internal Revenue Service.

"Indebtedness" means, with respect to any Person, (i) all obligations of such Person for borrowed money, or with respect to unearned advances of any kind to such Person, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all capitalized lease obligations of such Person, (iv) all obligations of such Person under installment sale contracts, (v) all guarantees and arrangements having the economic effect of a guarantee of such Person of any Indebtedness of any other Person, and (vi) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position of others or to purchase the obligations of others.

"Law" or **"Laws"** means any applicable principle of common law and all applicable (i) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations and by-laws, (ii) judgments, orders, writs, injunctions, decisions, awards and directives of any Governmental Entity and (iii) to the extent that they have the force of law, standards, policies, guidelines, notices and protocols of any Governmental Entity.

"Lenders" means the parties set out in Schedule 1 of the Restructuring Agreement.

"Liens" means any pledge, claim, lien, charge, option, hypothec, mortgage, security interest, restriction, adverse right, prior assignment, lease, sublease, royalty, levy, right to possession or any other encumbrance, easement, license, right of first refusal, covenant, voting trust or agreement, transfer restriction under any shareholder or similar agreement, right or restriction of any kind or nature whatsoever, whether contingent or absolute, direct or indirect, or any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing.

"Material Adverse Effect" has the meaning ascribed thereto under *"The Merger Agreement – Material Adverse Effect"*.

"Material Contracts" has the meaning ascribed to such term in the Merger Agreement.

"material fact" has the meaning ascribed to such term under the Securities Act.

"Meeting" means the special meeting of Exro Shareholders, including any adjournment or postponement thereof, to be called and held for the purpose of considering and, if thought fit, approving the Share Issuance Resolution.

"Merger" means the merger of Merger Sub with and into SEA, with SEA surviving that merger, on the terms and subject to the conditions set forth in the Merger Agreement.

"Merger Agreement" means the agreement and plan of merger entered into between Exro, Merger Sub and SEA on January 29, 2024, as amended on March 1, 2024 and March 6, 2024, a copy of which is available under Exro's profile at www.sedarplus.com.

"Merger Consideration" means the number of Exro Common Shares equal to the product of the Exchange Ratio and 0.47698 and Exro Convertible Preferred Shares equal to the product of the Exchange Ratio and 0.52302.

"Merger Sub" means eTruck VCU Acquisition Inc., a Delaware corporation.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

"**misrepresentation**" has the meaning ascribed to such term under the Securities Act.

"**NBF**" means National Bank Financial Inc.

"**NBF Engagement Agreement**" means the engagement agreement entered into between NBF and Exro on November 7, 2023

"**Net Exercise**" has the meaning ascribed thereto under "*The Transaction – Debt Restructuring of SEA – Treatment of Warrants*".

"**New SEA Notes**" has the meaning ascribed thereto under "*The Transaction – Debt Restructuring of SEA – Convertible Promissory Notes*".

"**Notice of Special Meeting**" means the notice of the Meeting provided together with this Circular.

"**Odyssey**" means Odyssey Trust Company, in its capacity as Exro's registrar and transfer agent.

"**Odyssey Contact Methods**" has the meaning ascribed thereto under "*General Information for the Meeting*".

"**OEM**" means original equipment manufacturer.

"**Offering Price**" has the meaning ascribed thereto in the section entitled "*The Financing*".

"**Outside Date**" means June 30, 2024.

"**Permitted Holders**" means (a) the SEA Stockholders immediately prior to the Closing and the Canadian Exchange (as such term is defined in the Merger Agreement), and (b) any person controlled, directly or indirectly by one or more of the persons referred to in clause (a) above.

"**Per Occurrence Conversion Cap**" has the meaning ascribed thereto under "*The Transaction – Debt Restructuring of SEA – Convertible Promissory Notes*".

"**Person**" means any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including any Governmental Entity.

"**Pro Forma Financial Information**" means the Unaudited Pro Forma Condensed Combined Consolidated Financial Information as at September 30, 2023 and for the nine months ended September 30, 2023 and year ended December 31, 2022.

"**Record Date**" means February 20, 2024.

"**Regulatory Approvals**" means, any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required under Laws to consummate the Transaction.

"**Release Conditions**" means: (a) satisfaction of the closing conditions, other than payment of the purchase price for the Merger, contained in the Merger Agreement; (b) delivery of a certificate by Exro to Canaccord certifying condition set out in (a) above has been satisfied; and (c) delivery of a certificate by Exro and Canaccord to the Subscription Receipt Agent certifying that the conditions set out in (a) and (b) above have been satisfied.

"**Release Deadline**" means 5:00 p.m. (Eastern time) on June 30, 2024, provided that if such date is not a Business Day, it shall mean the next Business Day immediately following such date.

"Release Event" means the satisfaction of the Release Conditions prior to the Release Deadline.

"Replacement Warrant" means a warrant to purchase Exro Common Shares in the form attached as Exhibit E of the Merger Agreement.

"Representatives" means, collectively, with respect to SEA or Exro, that party's officers, directors, employees, consultants, advisors, agents or other representatives (including lawyers, accountants, investment bankers and financial advisors).

"Restructuring Agreement" means the restructuring agreement dated January 18, 2024 between Exro, SEA and the Lenders, as amended on March 6, 2024.

"Securities Act" means the *Securities Act* (British Columbia) and the rules, regulations and published policies made thereunder.

"SEA" means SEA Electric Inc.

"SEA Board" means the board of directors of SEA.

"SEA Disclosure Letter" means the disclosure letter delivered by SEA to Exro in connection with the execution of the Merger Agreement.

"SEA Material Adverse Effect" has the meaning ascribed to the term "Company Material Adverse Effect" in the Merger Agreement.

"SEA Common Stock" means the shares of common stock in SEA with a par value of US\$0.01.

"SEA Equity Plan" means the SEA Electric Inc. 2022 Stock Incentive Plan.

"SEA Option" means an outstanding option to purchase shares of SEA Stock.

"SEA Plans" has the meaning ascribed to the term "Company Plans" in the Merger Agreement.

"SEA Preferred Stock" means the shares of SEA Series A Preferred Stock and SEA Series B Preferred Stock with a par value of US\$0.01.

"SEA RSU" means an outstanding restricted stock unit representing an interest in shares of SEA Common Stock granted under the SEA Equity Plan.

"SEA Series A Preferred Stock" means the designated Series A Preferred stock in SEA.

"SEA Series B Preferred Stock" means the designated Series B Preferred stock in SEA.

"SEA Stock" means the SEA Common Stock and the SEA Preferred Stock.

"SEA Stock Awards" the SEA Options and SEA RSUs to purchase and receive shares of SEA Stock or similar rights granted under the SEA Equity Plan, and as further disclosed in the SEA Disclosure Letter.

"SEA Stockholder" means a holder of SEA Stock.

"SEA Stockholder Approval" means the written consent delivered to SEA pursuant to Section 228 of the DGCL from holders of at least 75% or more of the total votes of all outstanding SEA Stock voting as one class, and at least 50% or more of the total votes of all outstanding SEA Series A Preferred Stock, effective immediately following the execution of the Merger Agreement, (i) adopting and approving the Merger Agreement and the transactions contemplated thereby, including the Merger, and (ii) adopting and approving an amendment to SEA's shareholders' agreement in the form attached as Exhibit A to the Merger Agreement.

"SEA Termination Fee" means the amount of US\$11,429,000.

"SEA Warrant" means an outstanding warrant entitling the holder to purchase one share of SEA Stock.

"SEDAR+" means the System for Electronic Document Analysis and Retrieval+.

"Share Issuance Resolution" means a special resolution approving the issuance of the Aggregate Exro Common Shares, the Additional Exro Common Shares and the Underlying Shares substantially in the form and content of "*Appendix A – Share Issuance Resolution*" attached to this Circular.

"Special Committee" means the special committee of independent directors of the Exro Board.

"Specified Time" means the earlier of (A) the Effective Time and (B) the termination of the Merger Agreement pursuant to its terms.

"subsidiary" has the meaning ascribed thereto in the Securities Act.

"Subsidiary" means, with respect to any Person, any other Person of which stock or other equity interests having ordinary voting power to elect more than 50% of the board of directors or other governing body are owned, directly or indirectly, by such first Person.

"Subscription Receipt Agent" means Odyssey Trust Company, in its capacity as subscription receipt agent pursuant to the terms of the Subscription Receipt Agreement.

"Subscription Receipt Agreement" means the subscription receipt agreement dated February 16, 2024 between Exro, Canaccord, on its own behalf and on behalf of the Underwriters, and the Subscription Receipt Agent.

"Subscription Receipts" means the subscription receipts of Exro issued pursuant to the Financing in accordance with the terms of the Subscription Receipt Agreement.

"Surviving Corporation" means SEA Electric Inc. as the surviving corporation and indirect wholly-owned subsidiary of Exro following the Closing.

"Qualified Person" means any person making an unsolicited Acquisition Proposal that the Exro Board determines in good faith (after consultation with outside counsel and its financial advisors) is, or could reasonably be expected to lead to, a Superior Proposal, and such Acquisition Proposal has not resulted from a material breach by Exro of its obligations under Section 5.2(a) of the Merger Agreement.

"Tax Act" means the *Income Tax Act* (Canada), as amended, and the regulations promulgated thereunder.

"Tax Return" means any return, declaration, report, certificate, bill, election, claim for refund, information return, statement or other written information and any other document filed or supplied or required to be filed or supplied to any Governmental Entity with respect to Taxes, including any schedule, attachment or supplement thereto, and including any amendment thereof.

"Taxes" means (i) all federal, provincial, state, local, foreign and other net income, gross income, gross receipts, sales, harmonized sales, goods and services, goods and services tax, value added tax use, stock, equity repurchase, ad valorem, transfer, stamp duty, transaction, franchise, profits, gains, registration, license, wages, lease, service, service use, employee and other withholding, social security, unemployment, welfare, disability, payroll, employment, employer health, excise, severance, stamp, environmental, occupation, workers' compensation, premium, real property, personal property, escheat or unclaimed property, windfall profits, net worth, capital, value-added, alternative or add-on minimum, customs duties, estimated and other taxes, fees, assessments, charges or levies of any kind whatsoever (whether imposed by the United States, Canada, or any other jurisdiction and whether imposed directly or through withholding and including taxes of any third party in respect of which a Person may have a duty to collect or withhold and remit and any amounts resulting from the failure to file any Tax Return), whether

disputed or not, together with any interest and any penalties, additions to tax or additional amounts with respect thereto; (ii) any liability for payment of amounts described in clause (i) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period or otherwise through operation of Law; and (iii) any liability for the payment of amounts described in clauses (i) or (ii) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person.

"Termination Date" means the date on which a Termination Event occurs.

"Termination Event" means the date Exro announces to the public that it does not intend to proceed with the Merger and/or satisfy the Escrow Release Conditions.

"Termination Payment Time" means 5:00 p.m. (Eastern time) on the third Business Day after the Termination Date.

"Transaction" means the Merger together with the other transactions contemplated by the Merger Agreement.

"TSX" means the Toronto Stock Exchange.

"TSX Listing Conditions" means the Underlying Share Listing Conditions and the Aggregate Share Listing Conditions, as applicable.

"Underlying Share Listing Conditions" has the meaning ascribed thereto under *"The Transaction – Listing of Exro Common Shares"*.

"Underlying Shares" has the meaning ascribed thereto under *"The Financing"*.

"Underwriters" has the meaning ascribed thereto under *"The Financing"*.

"Underwriting Agreement" means the underwriting agreement dated February 16, 2024 between Exro and the Underwriters.

"United States" or **"U.S."** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"U.S. Exchange Act" means the United States *Securities Exchange Act of 1934*, as amended and the rules and regulations promulgated thereunder.

"U.S. Securities Act" means the United States *Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

"U.S. Securities Laws" means federal and state securities legislation of the United States, and all rules, regulations and orders promulgated thereunder.

"VIF" means a voting instruction form.

QUESTIONS AND ANSWERS RELATING TO THE MEETING AND THE TRANSACTION

The following is intended to answer certain key questions concerning the Meeting and the Transaction and is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, including the appendices hereto and the documents incorporated by reference herein. Capitalized terms used in this summary and elsewhere in this Circular and not otherwise defined have the meanings given to them under "Glossary of Terms".

Q: Why did I receive this Notice of Special Meeting and Circular?

A: As required by law, you are receiving this Notice of Special Meeting and Circular in connection with the solicitation by or on behalf of the management of Exro of proxies of Exro Shareholders to consider and, if deemed advisable, to approve the Share Issuance Resolution.

Q: What am I being asked to vote on and why is it important?

A: The Meeting is being held so that Exro Shareholders may consider the Share Issuance Resolution, the full text of which is set out in "*Appendix A – Share Issuance Resolution*", approving the issuance of the Aggregate Exro Common Shares, the Additional Exro Common Shares and the Underlying Shares, pursuant to requirements under the TSX Company Manual. Exro will not be able to satisfy the closing conditions under the Merger Agreement or Standard Listing Requirements of the TSX unless and until the Exro Shareholder Approval is received. For more information, see the section entitled "*General Information for the Meeting*" in this Circular.

Your vote is very important, regardless of the number of Exro Common Shares that you own. The approval of the Share Issuance Resolution is a condition to the obligations of the parties to complete the Transaction under the Merger Agreement.

Q: What is the Transaction that the Share Issuance Resolution relates to?

A: On January 29, 2024, Merger Sub and SEA entered into the Merger Agreement pursuant to which, among other things, Merger Sub will merge with SEA pursuant to terms and conditions thereunder. Pursuant to the Merger Agreement, following the Effective Time, SEA Stockholders will receive shares of Exro Common Shares and Exro Preferred Shares in exchange for the SEA Stock held by the SEA Stockholders immediately prior to the Effective Time.

See "*The Transaction – Description of the Transaction*".

Q: When and where will the Meeting be held?

A: The Meeting will be held at 4200 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5 on Thursday, April 4, 2024 at 11:00 a.m. (Mountain time). Exro Shareholders will be able to vote on all business properly brought before the Meeting and submit questions for consideration as they would at an in-person shareholders' meeting. Exro Shareholders who vote by proxy ahead of a shareholders' meeting will be able to do so in the usual way.

Q: Does the Exro Board recommend that I vote FOR the Share Issuance Resolution?

A: Yes, the Exro Board unanimously approved the Transaction and unanimously recommends that Exro Shareholders vote **FOR** the Share Issuance Resolution.

For more information, see the section entitled "*The Transaction – Exro's Reasons for the Transaction*" and "*The Transaction – Recommendation of the Exro Board*".

Q: How will Exro's directors and executive officers vote?

A: All the directors and executive officers of Exro who held positions as at January 29, 2024, the date on which the Merger Agreement was entered into, collectively holding, to Exro's knowledge, 566,353 of the outstanding Exro Common Shares as of the Record Date, have entered into Exro Voting Agreements pursuant to which they have agreed, among other things, to vote their Exro Common Shares **FOR** the Share Issuance Resolution at the Meeting.

Q: What will SEA Stockholders receive if Exro's acquisition of SEA is completed?

A: Under the Merger Agreement, at the Effective Time, each share of SEA Common Stock, other than the Excluded Shares, that is outstanding immediately prior to the Effective Time will be converted automatically into the right to receive the Merger Consideration, being the number of Exro Common Shares equal to the product of the Exchange Ratio and 0.47698 and Exro Convertible Preferred Shares equal to the product of the Exchange Ratio and 0.52302.

Q: Following the Closing, what percentage of outstanding Exro Common Shares will former SEA Stockholders own?

A: Based on the number of Exro Common Shares and the number of SEA Common Stock on the Record Date, following Closing, former SEA Stockholders are expected to own approximately 46.3% of the total issued and outstanding Exro Common Shares and persons who were Exro Shareholders prior to Closing are expected to own approximately 53.7% of the total issued and outstanding Exro Common Shares, on a non-diluted basis and prior to any impacts of the Financing or issuance of the Additional Exro Common Shares. The relative ownership interests of Exro Shareholders and former holders of SEA Stock in Exro immediately following Closing will depend on the number of Exro Common Shares and SEA Stock issued and outstanding immediately prior to Closing.

Further, former SEA Stockholders will also be issued Exro Convertible Preferred Shares, each of which shall be convertible, in certain circumstances, into one (1) Exro Common Share. Assuming conversion of all the Exro Convertible Preferred Shares, persons who were Exro Shareholders prior to Closing are expected to own approximately 34.9% of Exro.

Q: If I am an Exro Shareholder, will I receive any securities as part of Exro's acquisition of SEA?

A: No. Regardless of whether the Transaction closes, Exro Shareholders will continue to hold the same number of Exro Common Shares held by them prior to the Closing.

Q: Will the Exro Board be reconstituted in connection with Exro's acquisition of SEA?

A: The Combined Company Board will initially consist of six (6) members, including Sue Ozdemir, Aleksandra Miziolek, Frank Simpkins and Rodney Copes (remaining as Chair) from the current Exro Board, and Tony Fairweather and John MacLeod from the current SEA Board. John Bell-Allen from the current SEA Board is contemplated to be an observer of the Combined Company Board.

Q: Is the obligation of each of Exro and SEA to effect the Transaction subject to any conditions?

A: Yes. The respective obligations of Exro and SEA to close the Transaction are subject to the satisfaction or waiver of several customary conditions. For a summary of the conditions to the Closing, see the section entitled "*Summary – Conditions that Must be Satisfied or Waived for the Merger to Occur*", and for a more detailed discussion, see the section entitled "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*".

Q: Are there any risks associated with Exro's acquisition of SEA?

A: Yes. Before making a decision on whether and how to vote, you are urged to carefully read the section entitled "*Risk Factors*". You also should read and carefully consider the risk factors with respect to Exro that are contained in the documents that are incorporated by reference in this Circular.

Q: What regulatory approvals are required to complete Exro's acquisition of SEA?

A: Exro and SEA have agreed to use commercially reasonable efforts to (i) obtain all required consents, approvals or waivers from, or participation in other discussions or negotiations with, third parties, including as required under any Material Contract, (ii) obtain all necessary actions or nonactions, waivers, consents, approvals, orders and authorizations from all Governmental Entities, make all necessary registrations, declarations and filings and make all commercially reasonable efforts to obtain an approval or waiver from, or to avoid any Action by, any Governmental Entity, and (iii) execute and deliver any additional instruments necessary to consummate the transactions contemplated in the Merger Agreement and fully carry out the purposes of the Merger Agreement.

On February 27, 2024, the TSX approved the Financing, the issuance of the 31,600,000 Underlying Shares, and the listing of the Underlying Shares, subject to satisfaction of the Underlying Share Listing Conditions.

On March 6, 2024, the TSX conditionally approved the listing of the 398,549,647 Aggregate Exro Common Shares and the 10,000,000 Additional Exro Common Shares, subject to Exro satisfying the Aggregate Share Listing Conditions.

Exro and SEA are not currently aware of any other material consents or other filings that are required prior to the Transaction other than those described in this Circular.

For a more detailed discussion of the regulatory approvals required to close the Transaction, see the sections entitled "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*" and "*The Merger Agreement – Regulatory Approvals Required for the Transaction*" and for more information regarding risk factors that could impact the Closing, see the section entitled "*Risk Factors*".

Q: When is the Transaction expected to be completed?

A: In addition to regulatory, shareholder, and stockholder approvals, other important conditions to the Closing exist.

Subject to the satisfaction or waiver of the closing conditions described under the section entitled "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*", including approval of the Share Issuance Resolution by Exro Shareholders and the adoption of the Merger Agreement by SEA Stockholders, the Transaction is expected to close early in the second quarter of 2024, with an outside date of June 30, 2024. The Closing will occur within three Business Days following satisfaction of the closing conditions in the Merger Agreement. However, Exro cannot predict the actual date on which the Transaction will close, or if the Transaction will close at all, because the Closing is subject to conditions and factors outside the control of Exro, including the receipt of certain regulatory approvals.

Q: Are any termination payments payable if the Merger Agreement is terminated?

A: If the Merger Agreement is terminated under specified circumstances as set out in the Merger Agreement, SEA may be required to pay Exro the SEA Termination Fee of US\$11,429,000.

If the Merger Agreement is terminated under specified circumstances as set out in the Merger Agreement, Exro may be required to pay SEA the Exro Termination Fee of US\$11,429,000.

For a more detailed discussion of the termination payments which may be payable by Exro or SEA pursuant to the Merger Agreement, see the section entitled "*The Merger Agreement – Termination or Abandonment of the Merger Agreement*".

Q: What happens if the Transaction is not completed?

A: If the Transaction is not completed, (i) Exro and SEA will remain independent of one another, (ii) the Exro Common Shares will continue to be listed and traded on the TSX under the symbol "EXRO", (iii) SEA Stockholders will not receive the Merger Consideration or any other consideration in connection with the Transaction, and their shares of SEA Common Stock and SEA Preferred Stock will remain outstanding, and (iv) holders of the SEA Stock Awards will continue to hold their SEA Stock Awards and such SEA Stock Awards will remain outstanding as equity awards of SEA.

Q: Who can vote?

A: The Exro Board has fixed February 20, 2024 as the Record Date. If you held Exro Common Shares as at the close of business on February 20, 2024 you are entitled to receive notice of and vote your Exro Common Shares at the Meeting on April 4, 2024, or at a reconvened meeting if the Meeting is postponed or adjourned. Each Exro Common Share carries one vote on each item to be voted on at the Meeting. As of the Record Date, there were 170,121,819 Exro Common Shares issued and outstanding.

Q: Who is soliciting my proxy?

A: Management of Exro is soliciting your proxy in connection with this Circular and the Meeting. Proxies will be solicited by mail, in person, by telephone, or by electronic communications. To encourage you to vote, Exro employees or employees of firms representing Exro may contact you by any of these methods. Exro employees will not receive a commission or any other form of compensation in connection with soliciting your proxy. Carson Proxy Advisors has been retained to provide strategic advice with respect to the Meeting and to assist with the solicitation of proxies.

Q: What is the quorum for the Meeting?

A: A quorum for the transaction of business at the Meeting is shareholders who, in the aggregate, hold at least 5% of the outstanding Exro Common Shares entitled to be voted at the Meeting present in person or by proxy, irrespective of the number of persons actually present at the Meeting. If you submit a properly executed form of proxy, you will be considered part of the quorum.

Q: What vote is required to approve the Share Issuance Resolution?

A: The Transaction cannot close without Exro Shareholders approving the Share Issuance Resolution. Approval of the Share Issuance Resolution requires the affirmative vote of a majority of the votes cast in respect of the resolution by Exro Shareholders present in person or represented by proxy at the Meeting.

The Exro Board **unanimously** recommends that Exro Shareholders vote **FOR** the Share Issuance Resolution.

Your vote is very important, regardless of the number of Exro Common Shares you own. Whether or not you expect to attend the Meeting, you should authorize a proxy to vote your Exro common Shares as promptly as possible so that your Exro Common Shares may be represented and voted at the Meeting.

Q: How do I vote at the Meeting?

A: If you were a registered Exro Shareholder at the closing of business on the Record Date, you are entitled to receive notice of, and to attend and vote at the Meeting. You will be entitled to vote all the Exro Common Shares that you held on the Record Date at the Meeting.

When Exro Common Shares are held jointly by two or more persons, those shares may be voted at the Meeting (either in person or by proxy) by any one of those holders, or, alternatively, by all such holders jointly. Each Exro Common Share is entitled to one vote.

Q: How do I vote by proxy?

A: Before the Meeting, Exro Shareholders of record as of the close of business on the Record Date may vote in advance of the Meeting by completing the form of proxy or VIF, as applicable, in accordance with the instructions provided therein and summarized below.

Registered Exro Shareholders

You are a registered Exro Shareholder if your Exro Common Shares are registered in your name. To vote by proxy in advance of the meeting, use the form of proxy provided to you with this Circular. Ensure that your completed proxy is received by Odyssey no later than 11:00 a.m. (Mountain time) on April 2, 2024 or no later than 48 hours (excluding Saturdays, Sundays, and holidays) before the time set for the Meeting if it is adjourned or postponed, by one of the Odyssey Contact Methods.

If you specify how you want to vote on your proxy form, your proxyholder must vote in accordance with such instructions. All Exro Common Shares represented at the Meeting by properly executed proxies will be voted in accordance with the instructions of the Exro Shareholder on any ballot that may be called for.

In the absence of any instruction, the management appointees whose names appear on the printed form of proxy will vote your Exro Common Shares in favour of the matters to be acted on. If you appoint another proxyholder and do not indicate how you want to vote, the proxyholder will decide how to vote your Exro Common Shares.

Beneficial Shareholders

You are a Beneficial Shareholder if you beneficially own Exro Common Shares that are held in the name of an intermediary. Each intermediary has its own process, so to vote by proxy in advance of the Meeting, use the VIF that is provided to you with this Circular. If you have voted on the VIF, you may not vote at the Meeting unless you properly revoke your voting instructions.

Exro Common Shares registered in the names of intermediaries can only be voted by those intermediaries at the direction of the Beneficial Shareholders of the Exro Common Shares. Without specific instructions, intermediaries are prohibited from voting Exro Common Shares for an intermediary's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Exro Common Shares are communicated to the appropriate person well in advance of the Meeting.

Q: What is the voting deadline?

A: To be effective, your proxy must be received before no later than 11:00 a.m. (Mountain time) on April 2, 2024 or no later than 48 hours (excluding Saturdays, Sundays, and holidays) prior to the time fixed for holding the Meeting (or any adjournment or postponement thereof). If you are a Beneficial Shareholder, your completed VIF must be returned on or before the deadline specified on the VIF. Late proxies may be accepted or rejected by the Chair of the Meeting at his or her sole discretion without notice. Only the most recently dated voting instructions will be counted and any prior dated instructions will be disregarded.

Q: Can I change my vote?

A: If you are a registered Exro Shareholder, you may revoke your proxy at any time before it is acted on. To revoke your proxy, deliver a written statement revoking your proxy to Odyssey Trust Company, Attention: Proxy Department, Trader's Bank Building, 702 67 Yonge Street, Toronto, ON M5E 1J8, or by email at proxy@odysseytrust.com on or before 11:00 a.m. (Mountain time) on April 3, 2024 (or the last Business Day before the Meeting if it is adjourned or postponed). Alternatively, if you attend and vote in person at the Meeting, any vote you cast at the Meeting will revoke any proxy you previously submitted.

If you are a Beneficial Shareholder, you may revoke your voting instructions before they are acted on. Follow the procedures provided by your intermediary or service provider.

Q: Where can I find more information about Exro, SEA, and the Transaction?

A: You can find out more information about Exro, SEA, and the Transaction by reading this Circular and from various sources described in the sections entitled "*Information Contained in this Circular – Information Incorporated by Reference*" and "*Additional Information*".

Q: How may I contact Exro's registrar and transfer agent?

A: You may contact Odyssey, Exro's registrar and transfer agent using one of the Odyssey Contact Methods.

Q: Who is responsible for counting and tabulating the votes by proxy?

A: Votes by proxy are counted and tabulated by Odyssey.

SUMMARY

The following summary of certain information contained elsewhere in this Circular may not contain all of the information that might be important to you. This summary is qualified in its entirety by more detailed information appearing elsewhere in this Circular, including the appendices hereto and the documents incorporated by reference herein. It is recommended that Exro Shareholders read this Circular and consult with their own legal, financial and other professional advisors with respect to the matters to be acted on at the Meeting. Capitalized terms used in this summary and elsewhere in this Circular and not otherwise defined have the meanings given to them under "Glossary of Terms".

The Meeting

Date, Time and Place of the Meeting

The Meeting will be held at 4200 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5, on Thursday, April 4, 2024 at 11:00 a.m. (Mountain time).

Purpose of the Meeting

The Meeting is being held so Exro Shareholders may consider an ordinary resolution, the full text of which is set out in "*Appendix A – Share Issuance Resolution*", approving (i) the issuance of up to 398,549,647 Aggregate Exro Common Shares and 10,000,000 Additional Exro Common Shares, and (ii) the issuance of 31,600,000 Underlying Shares on conversion of the Subscription Receipts pursuant to the terms of the Subscription Receipt Agreement.

See "*General Information for the Meeting – Share Issuance Resolution*".

Record Dating and Exro Shareholders Entitled to Vote

The Exro Board has fixed February 20, 2024 as the Record Date. If you held Exro Common Shares as at the close of business on February 20, 2024, you are entitled to receive notice of and vote your Exro Common Shares at the Meeting on April 4, 2024, or at a reconvened meeting if the Meeting is postponed or adjourned. Each Exro Common Share carries one vote on each item to be voted on at the Meeting. As of the Record Date, there were 170,121,819 Exro Common Shares issued and outstanding.

Required Vote

Approval of the Share Issuance Resolution requires the affirmative vote of a majority of the votes cast in respect of the resolution by Exro Shareholders present in person or represented by proxy at the Meeting.

The Transaction cannot close without Exro Shareholders approving the Share Issuance Resolution.

Vote by Directors and Executive Officers

All of the directors and executive officers of Exro who held such positions as at January 29, 2024, the date on which the Merger Agreement was signed, have entered into the Exro Voting Agreements pursuant to which they have agreed, among other things, to vote their Exro Common Shares FOR the Share Issuance Resolution at the Meeting.

Information About Exro, Merger Sub, SEA, and the Combined Company

Exro Technologies Inc.

Exro Technologies Inc. is a leading clean technology company that has developed next generation power control electronics that changes how the world optimizes energy by expanding the capabilities of electric motors and batteries. The Corporation's innovative technologies serve to bridge the performance-cost

gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less.

Additional information about Exro can be found on its website at www.exro.com, under Exro's electronic profile on SEDAR+'s website, and in the sections entitled "*Information Contained in this Circular – Information Incorporated by Reference*", "*Information about Exro, Merger Sub, SEA and the Combined Company – Exro Technologies Inc.*" and "*Appendix C – Information Concerning Exro*".

eTruck VCU Acquisition Inc.

Merger Sub, a Delaware corporation and indirect wholly-owned subsidiary of Exro, was formed solely for the purpose of facilitating the Transaction. Merger Sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the Transaction. By operation of the Merger, Merger Sub will merge with and into SEA. As a result, immediately following the Merger, SEA will survive as an indirect wholly-owned subsidiary of Exro.

Merger Sub's principal executive offices are located at 7853 East Ray Rd, Mesa, AZ 85212, USA and its telephone number is 1 (602) 830-7148.

SEA Electric Inc.

SEA is a 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. Collectively, vehicles with the SEA-Drive® power system have achieved more than three million miles of service via independent OEM testing and real-world operation. SEA has deployed almost 400 battery-electric vehicles to date.

For additional information about SEA, see "*Information Contained in this Circular – Information Incorporated by Reference*", "*Information about Exro, Merger Sub, SEA and the Combined Company – SEA Electric Inc.*" and "*Appendix B – Information Concerning SEA*".

Information Concerning the Combined Company

The Combined Company will carry on the combined businesses of Exro and SEA, with SEA as an indirect wholly-owned subsidiary of Exro. Exro will continue to be governed by the BCBCA, while the Surviving Corporation will be governed by the DGCL. 7853 East Ray Rd, Mesa, AZ 85212, USA will be the global headquarters of the Combined Company.

For additional information about the Combined Company, see "*Information Incorporated by Reference*" and "*Appendix D – Information Concerning the Combined Company*".

Recommendation of the Exro Board

At its meeting held on January 29, 2024, after due consideration and consultation with Exro's management and outside legal and financial advisors to both Exro and the Exro Board, and following review and consideration of, among other things, the Fairness Opinion and the recommendation of the Special Committee to undertake the Transaction, the Exro Board unanimously approved the Merger Agreement and the Transaction, and directed that the Share Issuance Resolution be submitted to the Exro Shareholders for approval at the Meeting. In considering the Transaction and making the recommendation to the Exro Shareholders, the Exro Board considered a number of factors, including, but not limited to, the factors described in the section entitled "*The Transaction – Exro's Reasons for the Transaction*", with a view to the best interests of Exro.

Accordingly, the Exro Board unanimously recommends that Exro Shareholders vote FOR the Share Issuance Resolution. For further information regarding Exro's recommendation and reasons for

the Transaction, see "*The Transaction – Exro's Reasons for the Transaction*" and "*The Transaction – Recommendation of the Exro Board*".

Fairness Opinion

NBF was retained by Exro to provide financial advisory services in connection with the Transaction. For information on the fees payable by Exro to NBF for these services, see "*The Transaction – Fairness Opinion*". In connection with their mandate, at a meeting of the Exro Board held on January 29, 2024 NBF provided an oral opinion, which was subsequently confirmed in writing on January 29, 2024 in the Fairness Opinion, that, as of the respective date thereof, and based upon and subject to the assumptions, limitations, qualifications, conditions and other matters stated therein, the Merger Consideration to be provided by Exro to the SEA Stockholders pursuant to the Transaction is fair, from a financial point of view, to Exro Shareholders, other than Vestcor Inc., which is an insider of the Corporation.

The full text of the Fairness Opinion, attached as "*Appendix E – Fairness Opinion*", sets forth, among other things, NBF's relationship with Exro and SEA, the credentials of NBF, the scope of NBF's review in connection with the Fairness Opinion, assumptions made and limitations to NBF's review in connection with the Fairness Opinion, and the approach taken by NBF in considering the fairness of the Merger Consideration from a financial point of view to the Exro Shareholders other than Vestcor Inc. The Fairness Opinion addresses only the fairness, from a financial point of view, to the Exro Shareholders, as of its date, of the Merger Consideration to be provided by Exro to the SEA Stockholders pursuant to the Transaction and does not address any other aspect of the Transaction, including any legal or regulatory aspects of the Transaction. NBF addressed the Fairness Opinion to, and provided it for the information and benefit of, the Special Committee and Exro Board in connection with its evaluation of the Transaction. The Fairness Opinion may not be relied upon by any person other than the Special Committee and the Exro Board without the express written consent of NBF. The Fairness Opinion does not address the underlying business decision of Exro to effect the Transaction or the relative merits of the Transaction as compared to any strategic alternatives that may be available to Exro. The Fairness Opinion does not constitute a recommendation to any Exro Shareholder as to how such Exro Shareholder should vote with respect to the Share Issuance Resolution.

The Exro Board urges the Exro Shareholders to read the Fairness Opinion in its entirety. Any summary of the Fairness Opinion herein is qualified in its entirety by reference to the full text of such opinion.

For more information regarding the Fairness Opinion, see the section entitled "*The Transaction – Fairness Opinion*". For the full text of the Fairness Opinion, see "*Appendix E – Fairness Opinion*".

Board of Directors and Management of Exro After Completion of the Transaction

Sue Ozdemir will remain as Chief Executive Officer, Tony Fairweather (founder and current Chief Executive Officer of SEA) will join Exro as Chief Product Officer, Darrell Bishop (current Chief Investment Officer of Exro) will become Chief Financial Officer, and John Meekison will become Chief Corporate Development Officer. The board of directors of the Combined Company will initially consist of six (6) members, including Sue Ozdemir, Aleksandra Miziolek, Frank Simpkins and Rodney Copes (remaining as Chair) from the current Exro Board, and Tony Fairweather and John MacLeod from the current SEA Board. John Bell-Allen from the current SEA Board is contemplated to be an observer of the Combined Company Board. See "*Appendix D – Information Concerning the Combined Company*" for additional information.

Risk Factors

The transactions contemplated by the Merger Agreement involve risks, some of which are related to Exro, SEA, and the Transaction. In considering the Transaction, including whether to vote for the Share Issuance Resolution, you should carefully consider the information about these risks set forth under the section entitled "*Risk Factors*", together with the other information included or incorporated by reference in this Circular.

The Transaction and Merger Agreement

The Merger Agreement provides, among other things, that upon the terms and subject to the satisfaction or waiver of the conditions set forth therein at the Effective Time, Merger Sub shall merge with and into SEA, with the Surviving Corporation being an indirect wholly-owned Subsidiary of Exro.

The terms and conditions of the Transaction are contained in the Merger Agreement, which is summarized in this Circular under the section entitled "*The Merger Agreement*" and available on Exro's profile on www.sedarplus.com. You are encouraged to read the Merger Agreement carefully, as it is the legal document that governs the Transaction. All descriptions in this summary and elsewhere in this Circular of the terms and conditions of the Transaction are qualified in their entirety by reference to the full text of the Merger Agreement.

Merger Consideration

Under the Merger Agreement, at the Effective Time, each share of SEA Common Stock and each share of SEA Preferred Stock other than the Excluded Shares, will be converted automatically into the right to receive fully paid and non-assessable Exro Common Shares and Exro Convertible Preferred Shares at the Exchange Ratio in order to satisfy the Merger Consideration. This Exchange Ratio is fixed and will not be adjusted for fluctuations in the market price of Exro Common Shares or shares of SEA Common Stock or SEA Preferred Stock between the date of the Merger Agreement and the closing of the Transaction.

For more information, see "*The Merger Agreement – Merger Consideration*" and "*The Merger Agreement – No Fractional Shares*".

Treatment of SEA Stock Awards

Subject to the terms of the Merger Agreement, at the Effective Time:

- each SEA Option, whether vested or unvested, shall cease to represent a right to acquire shares of SEA Stock, and shall be converted into an Exro Option provided that the proportion of Exro Common Shares and Exro Convertible Preferred Shares subject to the Exro Options issued to the holders of SEA Options shall be equal among holders of SEA Stock, SEA Options and SEA RSUs;
- each SEA RSU, whether vested or unvested, shall cease to represent an interest in shares of SEA Common Stock and shall be converted, at the Effective Time, into an Exro RSU; and
- each SEA Warrant shall be converted into and become exchangeable for a Replacement Warrant, provided that the proportion of Exro Common Shares and Exro Convertible Preferred Shares subject to the Exro RSUs issued to the holders of SEA RSUs shall be equal among holders of SEA Stock, SEA Options and SEA RSUs.

For a full description of the treatment of the SEA Stock Awards, see the sections entitled "*The Merger Agreement – Merger Consideration*" and "*The Merger Agreement – Treatment of SEA Stock Awards*".

Conditions that Must be Satisfied or Waived for the Merger to Occur

The respective obligations of Exro and SEA to close the Transaction are subject to the satisfaction or waiver of several customary conditions. These conditions include, among other things: (i) receipt of the Exro Shareholder Approval; (ii) receipt of the SEA Stockholder Approval; (iii) expiration of any applicable waiting periods (and any extension thereof) under any applicable law relating to the Transaction; (iv) the absence of any restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any court of competent jurisdiction or other legal restraint or prohibition, and no Law shall have been enacted, entered, promulgated, enforced or deemed applicable by any Governmental Entity that, in any such case, prohibits or makes illegal the consummation of the Merger, (v) receipt of listing approval

from the TSX for the Exro Common Shares issuable to the SEA Stockholders, subject only to the TSX Listing Conditions; (v) no pending or threatened litigation by a Governmental Entity seeking to prohibit the transactions contemplated by the Merger Agreement; (vi) provision by Exro of evidence satisfactory to SEA that Exro has, or is the sole beneficiary of an escrow holding, cash and cash equivalents of at least C\$30,000,000 immediately prior to the closing of the Transaction, or in the case of an escrow, which will be released to Exro automatically immediately following the Effective Time; (vii) accuracy of each party's representations and warranties, subject to materiality standards set forth in the Merger Agreement; (viii) performance by each party in all material respects with such party's obligations under the Merger Agreement; (ix) absence of an Exro Material Adverse Effect or a SEA Material Adverse Effect; and (x) the filing of the Articles of Amendment.

For a detailed description of the mutual conditions of Exro and SEA, the conditions to the obligations of Exro and Merger Sub and the conditions to the obligations of SEA to complete the Transaction, see the section entitled "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*".

Representations and Warranties

The Merger Agreement contains several representations and warranties made by each of SEA, Exro and Merger Sub solely for the benefit of Exro and Merger Sub, on the one hand, or SEA, on the other hand, that are subject in some cases to important exceptions and qualifications including, among other things, as to materiality and Material Adverse Effect.

For more information on the representations and warranties under the Merger Agreement, see "*The Merger Agreement – Representations and Warranties*".

No Solicitation

Except as otherwise specified in the Merger Agreement, until the Specified Time, each of Exro, SEA and their respective Subsidiaries shall not, directly or indirectly, solicit any offers or inquiries that could reasonably be expected to lead to an Acquisition Proposal or engage in similar or related activities, with certain exceptions in the event Exro receives an unsolicited, *bona fide* Acquisition Proposal that could reasonably be expected to constitute or lead to a Superior Proposal.

For detailed information on the restrictions on solicitation and related activities, see the section entitled "*The Merger Agreement – No Solicitation*".

Termination or Abandonment of the Merger Agreement

Subject to conditions and circumstances described in the Merger Agreement, the Merger Agreement may be terminated and abandoned at any time prior to the Effective Time, whether before or after the SEA Stockholder Approval has been obtained (i) by mutual written consent of Exro and SEA; (ii) by either Exro or SEA if: (A) the Merger has not been consummated on or before June 30, 2024, (B) any court of competent jurisdiction or other Governmental Entity has issued a final, non-appealable judgment, order or similar enjoining or otherwise prohibiting the Transaction, or (C) the Exro Shareholder Approval has not been obtained; (iii) by SEA if: (A) any representations, warranties, covenants or agreements of Exro or Merger Sub as set forth in the Merger Agreement are breached or become untrue and have one of the effects specified in the Merger Agreement, or (B) an Exro Board Recommendation Change has occurred, if Exro fails to publicly recommend against a tender or exchange offer, fails to publicly reaffirm its recommendation of the Merger following an Acquisition Proposal, breaches or fails to perform its obligations under the specified sections of the Merger Agreement or, formally resolves or publicly authorizes or proposes to take any of the foregoing actions; and (iv) by Exro or Merger Sub if: (A) any representations, warranties, covenants or agreements of SEA as set forth in the Merger Agreement are breached or become untrue and have one of the effects specified in the Merger Agreement, or (B) prior to obtaining Exro Shareholder Approval, the Exro Board authorizes Exro, in accordance with the terms and conditions of the Merger Agreement, to enter into a definitive written agreement (other than an

Acceptable Confidentiality Agreement) with respect to a Superior Proposal, provided that Exro pays the Exro Termination Fee.

For a full description of Exro's and SEA's rights to terminate the Merger Agreement, the effect of the termination and applicable termination payments, see "*The Merger Agreement – Termination or Abandonment of the Merger Agreement*".

Dissent Rights

Under the BCBCA, Exro Shareholders are not entitled to dissent rights in respect of the Transaction or of the other matters to be considered at the Meeting.

Listing of Exro Common Shares

It is a condition to Closing that the Exro Common Shares issuable under the Merger Agreement be approved for listing on the TSX, subject to the TSX Listing Conditions. The TSX has approved the listing of the Underlying Shares, subject to the Underlying Share Listing Conditions. The TSX has also conditionally approved the listing of the Aggregate Exro Common Shares and the Additional Exro Common Shares, subject to Exro fulfilling the Aggregate Share Listing Conditions.

There can be no assurance that the Aggregate Exro Common Shares, Additional Exro Common Shares or the Underlying Shares will be accepted for listing on the TSX.

For more information, see "*The Transaction – Listing of Exro Common Shares*".

Selected Unaudited Pro Forma Financial Information

The balance sheet in the Pro Forma Financial Information gives effect to the Merger, SEA debt restructuring, and the related financings as if such had closed on September 30, 2023. The statements of net loss in the Pro Forma Financial Information for the nine months ended September 30, 2023, and for the year ended December 31, 2022, give effect to the merger and related financings as if such had closed on January 1, 2022.

For more information, see "*Unaudited Pro Forma Consolidated Financial Information*" and "*Appendix F – Unaudited Pro Forma Financial Information*".

Accounting Treatment of the Transaction

In accordance with IFRS, the Transaction will be accounted for as a business combination applying the acquisition method of accounting.

The unaudited pro forma financial information presented in this Circular has been derived from, and should be read in conjunction with; (i) the unaudited condensed consolidated interim financial statements of Exro as at and for the three and nine months ended September 30, 2023, (ii) the audited consolidated financial statements of Exro as at and for the years ended December 31, 2022 and December 31, 2021, (iii) the unaudited condensed consolidated interim financial statements of SEA as at and for the three months ended September 30, 2023, and (iv) the audited financial statements as at and for the years ended June 30, 2023 and June 30, 2022.

The unaudited pro forma statement of financial position as at September 30, 2023 presents the financial positions of Exro and SEA giving pro forma effect to the Transaction as if these events occurred on September 30, 2023. The unaudited pro forma statement of earnings for the year ended December 31, 2022 and the nine months ended September 30, 2023 presents the results of operations of Exro and SEA giving pro forma effect to the Transaction as if these events occurred on January 1, 2022.

For a more detailed discussion of the accounting treatment of the Transaction, see "*The Transaction – Accounting Treatment of the Transaction*".

Regulatory Approvals Required for the Transaction

As more fully described in this Circular and in the Merger Agreement, and subject to the terms and conditions of the Merger Agreement, Exro and SEA have agreed to use commercially reasonable efforts to obtain all necessary consents, approvals or waivers from third parties, make all necessary registrations, declarations and filings and obtain all necessary actions or nonactions, waivers and authorizations from all Governmental Entities (including to avoid any Action by a Governmental Entity), and execute and deliver any additional instruments necessary to consummate the Transaction.

On February 27, 2024, the TSX approved the Financing, the issuance of the Underlying Shares, and the listing of the Underlying Shares, subject to Exro satisfying the Underlying Share Listing Conditions.

On March 6, 2024, the TSX conditionally approved the listing of the Aggregate Exro Common Shares and the 10,000,000 Additional Exro Common Shares, subject to Exro satisfying the Aggregate Share Listing Conditions.

Exro and SEA are not currently aware of any other material consents or other filings that are required prior to the Transaction other than those described in this Circular.

For a more detailed discussion of the regulatory approvals required to close the Transaction, see the sections entitled "*The Transaction – Regulatory Approvals Required for the Transaction*", "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*" and for more information regarding factors that could impact the Closing, see the section entitled "*Risk Factors*".

SEA Stockholder Approval

Obtaining the SEA Stockholder Approval is a condition to the respective obligations of each party to effect the Transaction. SEA Stockholder Approval was obtained through written consent immediately following the execution of the Merger Agreement by SEA and Exro.

See "*The Transaction – The SEA Stockholder Approval*".

Financing

On February 16, 2024, Exro completed the Financing, for a total of 31,600,000 Subscription Receipts at a price of \$0.95 per Subscription Receipt for aggregate gross proceeds of \$30,020,000.

On March 6, 2024, Exro filed the Exro Prospectus Supplement.

See "*The Financing*".

Debt Restructuring of SEA

In connection with the Merger Agreement, on January 18, 2024, Exro entered into the Restructuring Agreement pursuant to which SEA restructured certain of its existing outstanding debt with the Lenders.

See "*The Transaction – Debt Restructuring of SEA*".

RISK FACTORS

In addition to the other information contained in or incorporated by reference in this Circular, including the matters addressed in the section entitled "*Information Contained in this Circular – Cautionary Statement Regarding Forward-Looking Statements*", you should carefully consider the following risks in deciding whether to vote for the Share Issuance Resolution. In addition, you should read and consider the risks associated with the businesses of Exro and SEA because these risks will relate to the Combined Company following the Closing. Descriptions of some of these risks can be found in, in the case of Exro, the Exro AIF under the heading "Risk Factors", the Exro AIF under the heading "Risk Factors" and "*Appendix C – Information Concerning Exro*", and, in the case of SEA, in "*Appendix D – Information Concerning Exro following Completion of the Transaction*".

Risk Factors Relating to the Transaction

The Transaction is subject to various closing conditions, including regulatory and stockholder/shareholder approvals as well as other uncertainties, and there can be no assurances as to whether and when the Transaction may be completed.

The Transaction is subject to various closing conditions, including regulatory and shareholder approvals as well as other uncertainties, and there can be no assurances as to whether and when the Transaction may be completed. Closing of the Transaction is subject to the satisfaction or waiver of a number of conditions specified in the Merger Agreement, and it is possible that such conditions if not satisfied or waived, as applicable, may prevent, delay or otherwise materially adversely affect the completion of the Transaction. For a summary of the conditions to the Closing, see the section entitled "*Summary – Conditions that Must be Satisfied or Waived for the Merger to Occur*", and for a more detailed discussion, see the section entitled "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*".

In addition to the closing conditions in the Merger Agreement, Governmental Entities from which authorizations are required have broad discretion in administering the governing laws and regulations and may take into account various facts and circumstances in their consideration of the Transaction. In connection with the Transaction, these Governmental Entities also may impose requirements, limitations or costs, require divestitures or place restrictions on the conduct of Exro's business after Merger.

After Exro's acquisition of SEA, Exro may fail to realize projected benefits and cost savings of the acquisition, which could adversely affect the value of Exro Common Shares.

Exro and SEA have operated and, pending Closing, will continue to operate independently. The success of Exro's acquisition of SEA will depend, in part, on Exro's ability to realize the anticipated benefits and synergies from combining the businesses of Exro and SEA following Closing, including operational, tax and other synergies that Exro believes the Combined Company will achieve. The anticipated benefits and synergies of Exro's combination with SEA may not be realized fully or at all, may take longer to realize than expected, or could have other adverse effects that we do not currently foresee. Some of the assumptions that we have made, such as the tax outcomes of the reorganization steps and achievement of operating synergies, may not be correct. The integration process may, for SEA and Exro, result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies. There could be potential unknown liabilities (including tax liabilities) and unforeseen expenses associated with the Transaction that were not discovered in the course of performing due diligence or that arise from the reorganization of the corporate structure or the combination of the businesses of SEA and Exro post-Closing. Coordinating certain aspects of the operations and personnel of Exro with SEA after the acquisition of SEA will involve complex operational, technological and personnel-related challenges. Additionally, the integration will require significant time and focus from management following the combination which may disrupt the business of the Combined Company.

The announcement and pendency of the Transaction could adversely affect Exro's and SEA's business, results of operations and financial condition.

The announcement and pendency of the Transaction could cause disruptions in and create uncertainty surrounding Exro's and SEA's business, including affecting Exro's and SEA's relationships with its existing and future customers, suppliers and employees, which could have an adverse effect on Exro's and SEA's business, results of operations and financial condition, whether or not the Transaction is completed. In particular, Exro and SEA could potentially lose important personnel as a result of the departure of employees who decide to pursue other opportunities in light of the Transaction. Exro and SEA could also potentially lose customers or suppliers, and new customer or supplier contracts could be delayed or decreased. The attention of Exro's and SEA's management may be directed towards the closing of the Transaction, including obtaining regulatory approvals and other Transaction-related considerations, and may be diverted from the day-to-day business operations of Exro and SEA and matters related to the Transaction may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to Exro and SEA. Additionally, the Merger Agreement requires each party to obtain the other party's consent prior to taking certain specified actions while the Transaction is pending. These restrictions may prevent Exro and SEA from pursuing otherwise attractive business opportunities prior to the closing of the Transaction. Any of these matters could adversely affect the businesses of, or harm the results of operations, financial condition or cash flows of Exro and SEA and the market value of the Exro Common Shares.

If the Transaction does not close, the price of the Exro Common Shares may fall to the extent that the current prices of the Exro Common Shares reflect a market assumption that the Transaction will close. In addition, the failure to close the Transaction may result in negative publicity or a negative impression of Exro and SEA in the investment community and may affect Exro's and SEA's relationship with employees, customers, suppliers and other partners in the business community.

Exro and SEA will incur substantial transaction fees and costs in connection with the Transaction.

Exro and SEA have incurred and expect to incur additional material non-recurring expenses in connection with the Transaction, including costs relating to obtaining required approvals and, in the case of SEA, compensation payments to its executives triggered by the change in control of SEA as a result of the Transaction. Exro and SEA have incurred significant financial services, accounting, tax, and legal fees in connection with the process of negotiating and evaluating the terms of the Transaction. Additional significant unanticipated costs may be incurred in the course of coordinating and combining the businesses of Exro and SEA. Even if the Transaction does not close, Exro and SEA will need to pay certain costs relating to the Transaction incurred prior to the date the Transaction was abandoned, such as financial advisory, accounting, tax, legal, filing, and printing fees. Such costs may be significant and could have an adverse effect on the parties' future results of operations, cash flows and financial condition. In addition to its own fees and expenses, if the Merger Agreement is terminated under specified circumstances as set out in the Merger Agreement, Exro will be required to pay to SEA a US\$11,429,000 Exro Termination Fee. In addition to its own fees and expenses, if the Merger Agreement is terminated under specified circumstances as set out in the Merger Agreement, SEA may be required to pay to Exro a US\$11,429,000 SEA Termination Fee. For a summary of the Merger Agreement, see the section entitled "*The Merger Agreement – Termination or Abandonment of the Merger Agreement*".

Ability to Manage Growth

The success of Exro's business strategy following Closing depends, in part, on its ability to expand its operations in the future. Its anticipated growth strategy is expected to place demands on management, operational and financial information systems, and other resources. Expansion of the Combined Company's operations may require substantial financial resources and management attention. To accommodate anticipated future growth, and to compete effectively, Exro may need to improve its management, implement operational and financial information systems, and expand, train, manage, and motivate its workforce. Exro's personnel, systems, procedures, or controls may not be adequate to support its operations in the future. Further, focusing financial resources and diverting management's attention to the expansion of its operations may negatively impact Exro's financial results. Any failure to

improve Exro's management, to implement operational and financial information systems, or expand, train, manage, or motivate its workforce, as required, may reduce or prevent its growth plans.

The Pro Forma Financial Information is presented for illustrative purposes only and may not be indicative of the results of operations or financial condition of the Combined Company following the combination of Exro and SEA.

The Pro Forma Financial Information included in this Circular has been prepared using the consolidated historical financial statements of Exro and SEA, and is presented for illustrative purposes only and should not be considered to be an indication of the results of operations or financial condition of the Combined Company after the combination of Exro and SEA. In addition, the Pro Forma Financial Information included in this Circular is based in part on certain assumptions regarding the Transaction. These assumptions may not prove to be accurate, and other factors may affect the Combined Company's results of operations or financial condition following the combination of Exro and SEA. Accordingly, the historical information incorporated by reference in this Circular and unaudited pro forma consolidated financial information included in this Circular does not necessarily represent the Combined Company's results of operations and financial condition had Exro and SEA operated as a Combined Company during the periods presented, or of the Combined Company's results of operations and financial condition after the combination of Exro and SEA. The Combined Company's potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses, and difficulties typically encountered by recently combined companies.

In preparing the Pro Forma Financial Information contained in this Circular, Exro has given effect to, among other items, the combination of Exro and SEA, the payment of the Merger Consideration and the indebtedness of Exro on a consolidated basis after giving effect to the combination of Exro and SEA, including the indebtedness of SEA. The unaudited pro forma consolidated financial information may not reflect all of the costs that are expected to be incurred by Exro and SEA in connection with the Transaction. For more information, see the section entitled "*Unaudited Pro Forma Consolidated Financial Information*" and "*Appendix F – Unaudited Pro Forma Financial Information*".

Exro or SEA may waive one or more of the closing conditions without re-soliciting Exro Shareholder Approval or SEA Stockholder Approval, respectively.

Certain conditions to Exro's and SEA's obligations, respectively, to close the Transaction may be waived, in whole or in part, to the extent legally permissible, either unilaterally or by agreement of Exro and SEA. In the event that any such waiver does not require re-solicitation of the Exro Shareholders or an amendment of this Circular or any re-solicitation of proxies or voting cards, as applicable, the parties will have the discretion to close the Transaction without seeking further approval of Exro Shareholders or SEA Stockholders, as applicable.

The opinion of NBF rendered to the Special Committee and the Exro Board does not reflect changes in circumstances between the signing of the Merger Agreement and the closing of the Transaction.

NBF was retained by Exro to provide financial advisory services in connection with the Transaction. In connection with their mandate, at a meeting of the Exro Board held on January 29, 2024, NBF provided an oral opinion, which was subsequently confirmed in writing on January 29, 2024, that, as of the date thereof, and based upon and subject to the assumptions, limitations, qualifications, conditions, and other matters stated therein, the Merger Consideration to be provided by Exro to SEA Stockholders pursuant to the Transaction was fair, from a financial point of view, to Exro Shareholders other than Vestcor Inc. The Special Committee and the Exro Board has received the Fairness Opinion from NBF but has not obtained an updated opinion as of the date of this Circular. Changes in the operations and prospects of Exro or SEA, general market and economic conditions and other factors that may be beyond the control of Exro or SEA, and on which the forecasts and assumptions used by NBF in connection with rendering the Fairness Opinion may have been based, may significantly alter the value of Exro or SEA or the prices of the Exro Common Shares or the SEA Stock by the time the Transaction closes. The Fairness Opinion does not speak as of the time the Transaction will close or as of any date other than the date of such

opinions and the Special Committee and the Exro Board does not anticipate asking its financial advisor to update the Fairness Opinion.

For more information regarding the Fairness Opinion, see the section entitled "*The Transaction – Fairness Opinion.*" For the full text of the Fairness Opinion, see "*Appendix E – Fairness Opinion.*"

While the Transaction is pending, Exro is subject to business uncertainties and contractual restrictions that could materially adversely affect Exro's operating results, financial position and/or cash flows or result in a loss of employees, suppliers, vendors or customers.

The Merger Agreement generally requires Exro to use commercially reasonable efforts to conduct its business in all material respects in the ordinary course prior to the earlier of the termination of the Merger Agreement and the Closing. In addition, the Merger Agreement includes a variety of specified restrictions on the conduct of Exro's business, which, in the event the Merger Agreement is not earlier terminated, expire on the Closing Date. Among other things and subject to the other terms of the Merger Agreement and certain other exceptions and limitations, Exro may not, outside of the ordinary course of business, issue additional Exro Common Shares outside of its equity incentive plans, repurchase Exro Common Shares, pay dividends, acquire assets, securities or property, dispose of businesses or assets, enter into certain material contracts or make certain additional capital expenditures. Exro may find that these and other contractual restrictions in the Merger Agreement delay or prevent Exro from making certain changes, or limit its ability to make certain changes, during such period, even if Exro's management believes that making certain changes may be advisable. The pendency of the Transaction may also divert management's attention and Exro's resources from ongoing business and operations.

Exro's employees, suppliers, vendors or customers may experience uncertainties about the effects of the Transaction. It is possible that some employees, suppliers, vendors or customers, and other parties with whom Exro has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationship with Exro as a result of the Transaction. Similarly, current and prospective employees may experience uncertainty about their future roles with Exro following completion of the Transaction, which may materially and adversely affect Exro's ability to retain key employees. If any of these effects were to occur, it could materially and adversely impact Exro operating results, financial position, and cash flows.

Failure by Exro to successfully execute the Combined Company's business strategy and objectives may materially adversely affect the future results of the Combined Company and, consequently, the market value of Exro Common Shares.

The success of the combination of Exro and SEA will depend, in part, on the ability of Exro to successfully execute its business strategy. Furthermore, Exro's business strategy, operations, and plans for growth rely significantly on agreements with third parties, including joint ventures and other strategic alliances. Exro's ability to provide service to its customers depends in large part upon its ability to maintain these agreements with third parties, and upon the performance of the obligations under the agreements by the third parties. The termination of, or the failure to renew, these agreements could have a Material Adverse Effect on Exro's consolidated financial statements and interfere with its business strategy, operations, and plans for growth. If Exro is not able to achieve the Combined Company's business strategy, is not able to achieve such business strategy on a timely basis, or otherwise fails to perform in accordance with Exro's expectations, the anticipated benefits of the combination of Exro and SEA may not be realized fully or at all, and the combination may materially adversely affect the results of operations, financial condition, and prospects of the Combined Company and, consequently, the market value of Exro Common Shares.

Failure to complete the Transactions contemplated by the Merger Agreement could negatively impact the price of the Exro Common Shares, and future business and financial results.

If the Transactions contemplated by the Merger Agreement are not completed for any reason, Exro's ongoing business may be materially and adversely affected and Exro would be subject to a number of risks, including, but not limited to, the following:

- Exro may experience negative reactions from the financial markets, including negative impacts on trading prices of Exro Common Shares, and from Exro's employees, suppliers, vendors, regulators or customers;
- Exro may be required to pay SEA the Exro Termination Fee of US\$11,429,000 in consideration for the disposition by Exro of its contractual rights under the Merger Agreement, if the Merger Agreement is terminated in certain circumstances, including because the Exro Board has changed its recommendation in support of the Transaction in response to an intervening event if the Exro Board determines that the failure to take such action would likely be inconsistent with its fiduciary duties, or in certain circumstances where, after the date of the Merger Agreement, Exro enters into a definitive agreement related to an Exro Superior Proposal;
- the Merger Agreement places certain restrictions on the conduct of Exro's business, and such restrictions, the waiver of which is subject to the consent of SEA, may prevent Exro from making certain material acquisitions, entering into or amending certain contracts, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the Transaction or, with respect to certain actions, prior to the Closing, that Exro would have made, taken or pursued if these restrictions were not in place; and
- matters relating to the Transaction (including integration planning) will require substantial commitments of time and resources by Exro's management and the expenditure of significant funds in the form of fees and expenses, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to Exro as an independent company.

In addition, Exro could be subject to litigation related to any failure to complete the Transaction or related to any proceeding to specifically enforce Exro's performance obligations under the Merger Agreement.

If any of these risks materialize, they may materially and adversely affect Exro's business, financial condition and financial results.

Directors and senior officers of Exro may have interests in the Transaction that may differ from those of Exro Shareholders generally.

Certain directors and senior officers of Exro negotiated the terms of the Merger Agreement, and the Exro Board has recommended that Exro Shareholders vote in favour of the Share Issuance Resolution. These directors and senior officers may have interests in the Transaction that are different from, or in addition to, those of the Exro Shareholders generally. As of the date of this Circular, Exro is not aware of any such material interests. For more information, see heading "*Interests of Certain Persons or Companies in the Transaction*".

Except in specified circumstances, if the Merger has not been consummated by the Outside Date, either SEA or Exro may choose not to proceed with the Transaction.

Either SEA or Exro may terminate the Merger Agreement if the Merger shall not have been consummated by the Outside Date. However, this right to terminate the Merger Agreement will not be available to SEA or Exro if such party has breached in any material respect its obligations under the Merger Agreement in any manner that has been the primary cause of the failure to consummate the Transaction on or before the Outside Date. For more information, see the section entitled "*The Merger Agreement – Termination or Abandonment of the Merger Agreement*".

Resales of Exro Common Shares following the Transaction may cause the market value of Exro Common Shares to decline.

Based on the number of shares of SEA Stock outstanding as February 20, 2024, Exro expects to issue up to 146,459,489 Exro Common Shares and 160,596,348 Exro Convertible Preferred Shares to SEA Stockholders at the Effective Time. The issuance of these new Exro Common Shares and Exro

Convertible Preferred Shares (if converted into Exro Common Shares) could have the effect of depressing the market value for Exro Common Shares. The increase in the number of Exro Common Shares may lead to sales of such Exro Common Shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market value of, Exro Common Shares.

The market value of Exro Common Shares may decline as a result of the combination of Exro and SEA.

The market value of Exro Common Shares may decline as a result of the combination of Exro and SEA if, among other things, the Combined Company is unable to achieve the expected growth in revenues and earnings, or if the operational cost savings estimates in connection with the integration of SEA's and Exro's businesses are not realized or if the costs related to the Transaction are greater than expected. The market value of Exro Common Shares also may decline if the Combined Company does not achieve the perceived benefits of the combination as rapidly or to the extent anticipated by the market or if the effect of the combination on the Combined Company's financial position, results of operations or cash flows is not consistent with the expectations of financial or industry analysts. In addition, some SEA Stockholders may decide not to continue to hold the Exro Common Shares they receive as a result of the Transaction, and any such sales of Exro Common Shares could have the effect of depressing their market price. Moreover, general fluctuations in stock markets could have a Material Adverse Effect on the market for, or liquidity of, Exro Common Shares, regardless of Exro's actual operating performance after the combination of Exro and SEA.

Exro and SEA may be targets of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the Transaction from being completed.

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Transaction, then that injunction may delay or prevent the Transaction from being completed.

The Combined Company may be exposed to increased activism and litigation, which could have an adverse effect on the Combined Company's business and operations.

The Combined Company may be exposed to increased shareholder and stockholder activism and litigation from shareholders and stockholders, customers, suppliers, consumers and other third parties due to the combination of Exro's business and SEA's business. Such litigation may have an adverse impact on the Combined Company's business and results of operations or may cause disruptions to the Combined Company's operations.

The Internal Revenue Service may not agree that Exro should be treated as a foreign corporation for U.S. federal income tax purposes.

Under current U.S. federal income tax law, a corporation generally will be considered to be a U.S. corporation for U.S. federal income tax purposes only if it is created or organized under the laws of the United States, any state thereof or the District of Columbia. Accordingly, under generally applicable U.S. federal income tax rules, Exro, which is organized under the *Business Corporations Act* (British Columbia), would generally be classified as a non-U.S. corporation. However, section 7874 of the Internal Revenue Code (the "**Code**") and the treasury regulations promulgated thereunder (the "**Treasury Regulations**") contain specific rules that may cause a non-U.S. corporation to be treated as a U.S. corporation for U.S. federal income tax purposes (or to be subject to certain other adverse tax consequences). Based on the rules in effect at the time the Merger Agreement was executed and the percentage of outstanding Exro Common Shares that is expected to be owned by former holders of SEA Common Stock immediately after the Transaction, Exro believes that it should not be treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code immediately following the Transaction. Whether the requirements for such treatment have been satisfied must be finally determined after the completion of the Transaction, by which time there could be adverse changes to the

relevant facts and circumstances or to the applicable law. Therefore, there can be no assurance that the IRS will not take a contrary position or that the relevant U.S. federal income tax law will not be changed (possibly with retroactive effect) in a manner that would result in a contrary conclusion. It is also possible that a future acquisition of stock or assets of a U.S. corporation could result in Exro being treated as a U.S. corporation at the time of the Transaction. If it were determined that Exro is treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code and the Treasury Regulations promulgated thereunder, Exro could be subject to substantial U.S. tax liability and its non-U.S. shareholders could be subject to U.S. withholding tax on any dividends paid by Exro.

Reliance on Management and Dependence on Key Personnel

The success of the Combined Company will be largely dependent upon the performance of Exro's directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Combined Company's business and prospects. Exro does and will continue to compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that Exro can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Combined Company and its prospects.

The Merger Agreement contains provisions that make it more difficult for Exro and SEA to pursue alternatives to the Transaction.

The Merger Agreement contains provisions that make it more difficult for Exro to sell its business, or for SEA to sell its business to a party other than Exro. These provisions include a general prohibition on each party soliciting any Acquisition Proposal. Further, there are only limited circumstances in which Exro may terminate the Merger Agreement to accept an Acquisition Proposal and limited exceptions to each party's agreement that its board of directors will not withdraw or modify in a manner adverse to the other party the recommendation of its board of directors in favour of the adoption of the Merger Agreement. In the event that the Exro Board makes an adverse recommendation change, then Exro may be required to pay to SEA the Exro Termination Fee of US\$ 11,429,000. See the section entitled "*The Merger Agreement – No Solicitation*" and "*The Merger Agreement – Termination or Abandonment of the Merger Agreement.*"

The parties believe these provisions are reasonable and not preclusive of other offers, but these restrictions might discourage a third party that has an interest in acquiring all or a significant part of either SEA or Exro from considering or proposing an Acquisition Proposal.

If an Acquisition Proposal to acquire SEA is made, consummation of the Transaction may be delayed or impeded.

If an Acquisition Proposal to acquire SEA is made, the attention of SEA's and Exro's respective management may be diverted away from the Transaction, which may delay or impede consummation of the Transaction. Matters related to such Acquisition Proposal, including any potential related litigation, may require commitments of time and resources of both parties and their respective representatives, which could otherwise have been devoted to the Transaction.

Exro may not have discovered undisclosed liabilities of SEA, if any.

In the course of the due diligence review of SEA that Exro conducted prior to the execution of the Merger Agreement, Exro may not have discovered, or may have been unable to quantify, undisclosed liabilities of SEA and its subsidiaries, if any, and Exro will not be indemnified for any of these liabilities. If SEA has undisclosed liabilities, Exro, as a successor owner, may be responsible for such undisclosed liabilities. Such undisclosed liabilities could have an adverse effect on the business, results of operations, financial condition and cash flows of Exro and on the value of the Exro Common Shares after the closing of the Transaction. For more information, see the section entitled "*The Merger Agreement – Termination or Abandonment of the Merger Agreement.*"

The Exchange Ratio is fixed and will not be adjusted in the event of any change in price of Exro Common Shares.

At the Effective Time, each share of SEA Stock that is outstanding immediately prior to the Effective Time (other than certain excluded shares as described in the Merger Agreement) will be converted into the right to receive approximately 31.46 Exro Common Shares and approximately 34.50 Exro Convertible Preferred Shares. Because the Exchange Ratio is fixed, the value of the Merger Consideration will depend on the market price of Exro Common Shares and the value of Exro Convertible Preferred Shares at the Effective Time. The market price of Exro Common Shares has fluctuated since the date of the announcement of the Transaction and is expected to continue to fluctuate from the date of this Circular until the Closing. Changes in the price of Exro Common Shares may result from a variety of factors, including, among others, general market and economic conditions, changes in Exro's and SEA's respective businesses, operations and prospects, risks inherent in their respective businesses, changes in market assessments of the likelihood that the Transaction will be completed and/or the value that may be generated by the Transaction and changes with respect to expectations regarding the timing of the Transaction and regulatory considerations. Many of these factors are beyond Exro's and SEA's control.

Cyber security breaches and other disruptions to Exro's information technology networks and systems could interfere with Exro's operations and its ability to pursue the Transaction.

Exro relies upon information technology systems and networks, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. Exro also collects and stores sensitive data, including intellectual property, proprietary business information, the proprietary business information of our suppliers, as well as personally identifiable information of its employees, in data centers and on information technology systems. The secure operation of these information technology systems, and the processing and maintenance of this information, is critical to our business operations and strategy. Despite security measures and business continuity plans, the occurrence of damage, disruptions or shutdowns due to attacks by hackers or breaches due to errors or malfeasance by employees, contractors and others who have access to Exro's networks and systems, or other disruptions could compromise Exro's systems and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations and reduce the competitive advantage Exro hopes to derive from its investment in technology. The Corporation's insurance coverage may not be available or adequate to cover all the costs related to significant security attacks or disruptions resulting from such attacks. Depending on the severity of such attacks, Exro's ability to pursue the Transaction may be disrupted or delayed.

Risk Factors Relating to Exro's Business

Exro Shareholders should read and consider the risk factors specific to Exro's business that will also affect the Combined Company after the completion of the Transaction. These risks are described in the Exro AIF under the heading "*Risk Factors*" and in other documents that are incorporated by reference in this Circular. See the section entitled "*Information Contained in Circular – Information Incorporated by Reference*" for the location of information incorporated by reference in this Circular and "*Appendix C – Information Concerning Exro*".

Risk Factors Relating to SEA's Business

Exro Shareholders should read and consider the risk factors specific to SEA's business that will also affect the Combined Company after the completion of the Transaction. See "*Appendix B – Information Concerning SEA*".

INFORMATION ABOUT EXRO, MERGER SUB, SEA AND THE COMBINED COMPANY

Exro Technologies Inc.

12 – 21 Highfield Circle S.E.
Calgary, Alberta T2G 5N6
(587) 619-1517

Exro Technologies Inc. is a leading clean technology company that has developed next generation power control electronics that changes how the world optimizes energy by expanding the capabilities of electric motors and batteries. The Corporation's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less – minimum energy for maximum results.

Additional information about Exro can be found on its website at www.exro.com and under Exro's electronic profile on SEDAR+'s website. For additional information about Exro, see "*Information Incorporated by Reference*" and "*Appendix C – Information Concerning Exro*".

eTruck VCU Acquisition Inc.

Merger Sub, a Delaware corporation and indirect wholly-owned subsidiary of Exro, was formed solely for the purpose of facilitating the Transaction. Merger Sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the Transaction. By operation of the Merger, Merger Sub will merge with and into SEA.

As a result, immediately following the merger, SEA will survive as an indirect wholly-owned subsidiary of Exro. Merger Sub's principal executive offices are located at 7853 East Ray Rd, Mesa, AZ 85212, USA and its telephone number is 1 (602) 830-7148.

SEA Electric Inc.

436 Alaska Ave
Torrance, CA 90503
(424) 376-3660

SEA is a global e-Mobility technology company that was founded in Australia in 2012 and since 2022 has been registered in Delaware, USA, 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. SEA spent more than 6 years developing the SEA-Drive® power system and launched its first model in 2017. Since that time, SEA has released its SEA-Drive® power system in a range of medium and heavy-duty commercial vehicles including delivery trucks, garbage trucks, tipper trucks, tilt tray trucks, reefer trucks, cherry picker trucks, school buses, shuttle buses, cargo vans and passenger vans. The SEA-Drive® power system is adaptable to most OEM glider chassis platforms from Class 3 to Class 8 (3.5 tonnes to 29 tonnes). SEA initially deployed products in Australia and New Zealand and since 2021 SEA has been selling its SEA-Drive® power system in the U.S. SEA has also deployed a small number of products with the SEA-Drive® power system in Canada, Thailand, Indonesia, India and South Africa to test market acceptance. In the fiscal year ended June 30, 2023, and the fiscal year ended June 30, 2022, revenue at SEA was \$17.1 million and \$6.9 million, respectively. In 2023, the U.S. became the largest source of revenue for SEA, accounting for approximately 60% of sales on a dollar basis and 64% of units sold.

Collectively, vehicles with the SEA-Drive® power-system have achieved more than three million miles of service via independent OEM-testing and real-world operation.

SEA has deployed almost 400 battery-electric vehicles to date. Customer and telematics data show that the SEA-Drive® power-system provides world-class total cost of ownership.

For additional information about SEA, see "*Appendix B – Information Concerning SEA*".

Information Concerning the Combined Company

The Combined Company will carry on the combined businesses of Exro and SEA, with SEA as an indirect wholly-owned subsidiary of Exro. Exro will continue to be governed by the BCBCA, while the Surviving Corporation will be governed by the DGCL. 7853 East Ray Rd, Mesa, AZ 85212, USA will be the global headquarters of the Combined Company.

Please refer to "*Appendix D – Information Concerning then Combined Company*" and "*Appendix F – Unaudited Pro Forma Financial Information*".

For additional information about the Combined Company, see "*Information Incorporated by Reference*" and "*Appendix D – Information Concerning the Combined Company*".

THE TRANSACTION

This section of this Circular describes the various aspects of the Transaction and related matters. This section may not contain all of the information that is important to you. You should carefully read this entire Circular and the documents incorporated by reference in this Circular, including the full text of the Merger Agreement, which is available on Exro's profile on www.sedarplus.com, for a more complete understanding of the Transaction. In addition, important business and financial information about each of Exro and SEA is included in or incorporated by reference in this Circular. For a list of the documents incorporated by reference in this Circular, see the section entitled "Information Contained in this Circular – Information Incorporated by Reference".

Merger Consideration

Under the Merger Agreement, at the Effective Time, each share of SEA Common Stock and each share of SEA Preferred Stock, other than the Excluded Shares, will be converted automatically into (i) the number of Exro Common Shares equal to the product of (A) the Exchange Ratio and (B) 0.47698, and (ii) the number of Exro Convertible Preferred Shares equal to the product of (A) the Exchange Ratio and (B) 0.52302. Fractional shares otherwise issuable upon consummation of the Merger shall be rounded down to the nearest whole share. Any fractional Exro Common Shares or Exro Convertible Preferred Shares a holder of shares of SEA Stock would otherwise be entitled to receive upon the conversion of shares of SEA Stock shall be aggregated together first and prior to eliminating fractional shares.

Based on the terms of the Merger Agreement, Exro expects to issue up to approximately 146,459,489 Exro Common Shares and 160,596,348 Exro Convertible Preferred Shares to SEA Stockholders at the Effective Time, with such Exro Common Shares representing approximately 46.3% of the issued and outstanding Exro Common Shares on a non-diluted basis, after giving effect to the Merger and prior to any impacts of the Financing or issuance of the Additional Exro Common Shares.

The implied value of the Merger Consideration will fluctuate, as the market price of Exro Common Shares fluctuates, because the Merger Consideration that is payable per share of SEA Stock is a fixed fraction of an Exro Common Share and an Exro Convertible Preferred Share. As a result, the value of the Merger Consideration that SEA Stockholders will receive upon the Closing could be greater than, less than, or the same as the value of the Merger Consideration as at the date of this Circular or at the time of the Meeting.

The Exchange Ratio is fixed and will not be adjusted for fluctuations in the market price of Exro Common Shares between the date of the Merger Agreement and the Closing. The Exchange Ratio shall be adjusted to reflect fully the appropriate effect of any stock split, split-up, reverse stock split, stock dividend or distribution of securities convertible into either SEA Stock, Exro Convertible Preferred Shares, or Exro Common Shares, reorganization, recapitalization, reclassification or other like change with respect to the

SEA Stock, Exro Convertible Preferred Shares, or Exro Common Shares having a record date occurring on or after the date of the Merger Agreement and prior to the Effective Time.

Aggregate Exro Common Shares

In addition to the Exro Common Shares to be issued or made issuable pursuant to payment of the Merger Consideration, additional Exro Common Shares will be made issuable pursuant to closing of the Transaction under both the Merger Agreement and the Restructuring Agreement. The following table sets out the Aggregate Exro Common Shares to be issued or made issuable pursuant to the Merger Agreement and the Restructuring Agreement.

	Issued at Closing	Total Issuable
Merger Agreement	146,459,489 Exro Common Shares 160,596,348 Exro Convertible Preferred Shares ⁽¹⁾	307,055,837 Exro Common Shares
	4,085,873 Exro Options ⁽²⁾ 15,457,743 Exro RSUs ⁽³⁾ 13,192,843 Exro Replacement Warrants ⁽⁴⁾	32,736,459 Exro Common Shares
Restructuring Agreement	US\$52.0 million of Convertible Promissory Notes ⁽⁵⁾	58,757,351 Exro Common Shares ⁽⁶⁾
Total	—	398,549,647 Exro Common Shares

Notes:

- (1) Each Exro Convertible Preferred Share is convertible into one (1) Exro Common Share, subject to the requirements set forth in the Articles of Amendment, as more fully described in "*Appendix D – Information Concerning the Combined Company*".
- (2) Each Exro Option can be exercised in exchange for approximately 0.477 of an Exro Common Share and 0.523 of an Exro Convertible Preferred Share, pursuant to the terms of the Merger Agreement, as more fully described in the section entitled "*The Transaction*" under the heading "*Treatment of SEA Stock Awards*".
- (3) Each Exro RSU will consist of 0.477 of an Exro Common Share and 0.523 of an Exro Convertible Preferred Share.
- (4) Each Replacement Warrant gives the holder the right to purchase one (1) Exro Common Share.
- (5) Beginning on the first anniversary of the Closing, Lenders have the option to convert the Per Occurrence Conversion Cap into Exro Common Shares, pursuant to the terms of the Restructuring Agreement, as more fully described in the section entitled "*The Transaction*" under the heading "*Debt Restructuring*".
- (6) Assuming US\$52.0 million, face value, of Convertible Promissory Notes are converted into Exro Common Shares. The Convertible Promissory Notes are convertible at 125% of the Offering Price (US\$0.7082, calculated at an exchange rate of 1.3415 Canadian dollars to 1.00 US Dollar as of January 30, 2024). The total common shares to be issued is estimated based on the exchange rate at the date of issuance, and the amounts may differ at the time of conversion, if such election is made to convert the Convertible Promissory Notes.

A copy of the full text of the Share Issuance Resolution approving the issuance of the Aggregate Exro Common Shares and the Additional Exro Common Shares, which Exro Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, by ordinary resolution, can be found on "*Appendix A – Share Issuance Resolution*".

The total dilution of Exro Shareholders resulting from the issuance of the Aggregate Exro Common Shares, Additional Exro Common Shares and the Underlying Shares, including the Exro Common Shares issuable upon conversion of the Convertible Promissory Notes, will be 259%, based on the number of Exro Common Shares outstanding as of the Record Date.

Background to the Transaction

Events Preceding the Execution of the Merger Agreement

Exro's relationship with SEA dates back to late 2019, when Sue Ozdemir was introduced to Tony Fairweather while on an investor marketing trip. Sue had just started with Exro and Tony was working to re-domicile SEA from Australia to the United States. The technology synergies between the companies were evident and a relationship was initiated to explore collaboration. In 2021, the companies signed a master sales agreement for future deliveries of up to 3,500 Coil Driver™ inverters over a three (3) year period to be integrated into SEA customer applications. Also in 2021, Exro made a US\$5 million common share investment into SEA as part of a broader equity financing. Through the remainder of 2021 through Q3 2022, Exro focused on development of its Coil Driver™ and preparing for automotive-level quality manufacturing and production, supported by other partners, such as leading Tier-1 automotive supplier Linamar Corporation, while winning multiple technology awards along the way. During this same period, SEA focused on customer relationships and meeting the needs of major OEM truck manufacturers such as Mack and Hino, looking to electrify medium duty vehicles. Through more than 2.5 years of testing, validation, and on-road durability, SEA's electrification technology was adopted by these OEMs and SEA was awarded multi-year series production contracts to supply the SEA-Drive® system beginning in Q1 2024.

In August 2023, members of the Exro Board and Exro executives investigated several M&A opportunities, including SEA Electric. After several months of discussion, introductory meetings, and consideration, Exro and SEA signed a non-binding letter of intent in November 2023 with the view of conducting a period of due diligence to assess the merits of a business combination. During that period, Exro retained NBF as its exclusive financial advisor and formed the Special Committee to assess and negotiate the potential transaction.

The Special Committee was formed as a committee of independent directors of Exro to provide a recommendation to the Exro Board as to what the best interests of Exro were with respect to the Transaction. Members of the Special Committee included Aleksandra Miziolek and Frank Simpkins, each of whom was determined to be independent of SEA, the Transaction, and related matters.

The Special Committee held six formal meetings and had two informal calls between November 24, 2023 and January 29, 2024. During these meetings and calls, the Special Committee:

- reviewed the Fairness Opinion;
- received presentations from NBF about the Fairness Opinion;
- reviewed drafts of the Merger Agreement and other Transaction documents;
- received presentations and a summary memo of the Merger Agreement from Exro outside U.S.-based legal counsel; and
- held various discussions with Exro's management, outside legal counsel, and bankers.

At the January 29, 2024 meeting of the Special Committee, after considering, among other things, developments since the execution of the Merger Agreement, the previously received advice of legal counsel, the factors described in the section entitled "*The Transaction – Exro's Reasons for the Transaction*" and management's recommendation that Exro should continue to pursue the completion of the Transaction, the Special Committee unanimously resolved to recommend to the Exro Board that it was in the best interests of Exro that Exro continue to pursue completion of the Transaction.

In addition to the Special Committee meetings, the Exro Board held 10 meetings between November 8, 2023, and January 29, 2024 to discuss the Transaction. At the January 29, 2024 meeting of the Exro Board, the Exro Board received the report of the process undertaken by the Special Committee and its recommendation. After considering such matters as it considered appropriate in the circumstances, including the matters described above, the process undertaken by the Special Committee, and the unanimous recommendation of the Special Committee, the Exro Board unanimously accepted the Special

Committee's recommendation and unanimously determined that it was in the best interest of Exro to continue to pursue the completion of the Transaction.

Events Subsequent to the Execution of the Merger Agreement

On February 26, 2024, the Exro Board met with Exro's management. The Exro Board reviewed the process to date, received an update from management on the status of the Transaction and discussed a draft of this Circular. At this meeting, participants recommended that Exro Shareholders vote for the Share Issuance Resolutions as being in the best interests of Exro. The Exro Board received the recommendations from management and, after considering additional matters as it considered appropriate in the circumstances, the Exro Board unanimously determined to approve this Circular, including the recommendation that the Exro Shareholders vote for the Share Issuance Resolution.

On March 1, 2024, Exro, Merger Sub and SEA entered into the first amendment to the Merger Agreement pursuant to which the parties confirmed that, immediately prior to Closing, Exro must have, or be the sole beneficiary of an escrow holding, cash and cash equivalents of at least C\$30,000,000.

On March 6, 2024, certain amendments were made to the Restructuring Agreement and further amendments were made to the Merger Agreement to clarify how the exercise price for the Exro Replacement Warrants is to be calculated and to confirm the form of the Exro Replacement Warrant and the Convertible Promissory Note.

On March 6, 2024, the Corporation filed the Exro Prospectus Supplement.

Board of Directors and Management of the Combined Company after the Transaction

The Combined Company Board will initially consist of six (6) members, including Sue Ozdemir, Aleksandra Miziolek, Frank Simpkins and Rodney Copes (remaining as Chair) from the current Exro Board, and Tony Fairweather and John MacLeod from the current SEA Board. John Bell-Allen from the current SEA Board is contemplated to be an observer of the Combined Company Board.

Sue Ozdemir will remain as Chief Executive Officer, Tony Fairweather (founder and current Chief Executive of SEA) will join Exro as the Chief Product Officer, Darrell Bishop (current Chief Investment Officer of Exro) will become Chief Financial Officer, and John Meekison (current Chief Financial Officer) will become Chief Corporate Development Officer. See "*Appendix D – Information Concerning the Combined Company*" for additional information.

Board of Directors and Management of the Surviving Corporation after the Transaction

Following Closing, the board of directors and management of the Surviving Corporation will be determined by the board of the Combined Company.

Exro's Reasons for the Transaction

Exro Technologies Inc. is a leading clean technology company that has developed new generation power control electronics that change how the world optimizes energy by expanding the capabilities of electric motors and batteries. The Corporation's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™). SEA Electric is a clean technology company focused on delivering electrification solutions to the commercial electric vehicle segment. SEA's proprietary SEA-Drive(R) vehicle control unit ("VCU") software/hardware optimizes all components that electrify a vehicle. The Merger will combine Exro's Coil Driver™ with SEA's SEA-Drive technology to deliver unparalleled performance, efficiency, and total cost of ownership advantages embedded in a complete package electric propulsion system for the commercial vehicle space. Post-Closing of the Merger, Exro is preparing to deliver over 1,000 propulsion systems in 2024 to blue-chip OEMs such as Hino (a Toyota group company) and Mack, targeting Combined Company revenues of

over \$200 million.¹ Supported by a technology-centric, asset-light business model, and a portfolio of over 60 patents, the Combined Company is positioned to leverage its expanded technology platform offering to capture market share in the EV technology space.

In **unanimously** approving the Merger Agreement and the consummation of the Transaction and determining the Merger Agreement and the Transaction are in the best interests of Exro and fair to Exro Shareholders, the Exro Board considered a number of factors (which are not necessarily presented in order of relative importance), including but not limited to the following:

- the anticipated benefits of the Transaction derived from the technology, financial and operational synergies;
- the consideration of alternatives to pursuing the Transaction including continuing to operate as a standalone entity;
- Exro's proven leadership team with a strong focus on automotive quality standards and production, and the experience of members of SEA's team joining Exro's leadership following the Closing;
- the support of SEA Stockholders and all of SEA's directors and executive officers; and
- the adequate termination protections in the Merger Agreement including the payment of a termination fee in certain situations.

Recommendation of the Exro Board

At its meeting held on January 29, 2024, after due consideration and consultation with Exro's management and outside legal and financial advisors to Exro and the Exro Board, and following review and consideration of, among other things, the recommendation of the Special Committee to proceed with the Transaction and the Fairness Opinion, the Exro Board unanimously approved the Merger Agreement and the Transaction and authorized the issuance of Exro Common Shares and Exro Convertible Preferred Shares under the Merger Agreement. In doing so, the Exro Board considered a number of factors, including, but not limited to, the factors described in the section entitled "*The Transaction – Exro's Reasons for the Transaction*", with a view to the best interests of Exro.

On January 29, 2024 after considering such additional matters as it considered appropriate in the circumstances, as more particularly described in the section entitled "*The Transaction – Background of the Transaction – Events Subsequent to the Execution of the Merger Agreement*", the Exro Board unanimously determined to approve this Circular, including the recommendation that Exro Shareholders vote for the Share Issuance Resolution. See the section entitled "*The Transaction – Background of the Transaction – Events Subsequent to the Execution of the Merger Agreement*" for a description of the events and the activities of the Exro Board subsequent to the execution of the Merger Agreement.

The Exro Board unanimously recommends that Exro Shareholders vote FOR the Share Issuance Resolution. For further information regarding Exro's reasons for the Transaction, see "*The Transaction – Reasons for the Transaction*".

Fairness Opinion

NBF was retained by Exro to provide financial advisory services in connection with the Transaction. In connection with their mandate, at a meeting of the Exro Board held on January 29, 2024, NBF provided an oral opinion, which was subsequently confirmed in writing on January 29, 2024 in the Fairness Opinion, that, as of the respective date thereof, and based upon and subject to the assumptions, limitations, qualifications, conditions and other matters stated therein, the Merger Consideration to be provided by Exro to the SEA Stockholders pursuant to the Transaction was fair, from a financial point of view, to the Exro Shareholders other than Vestcor Inc., which is an insider of the Corporation.

¹ Revenue forecast of \$200 million is underpinned by near-term projected sales volumes backed by current purchase orders and forecasted volumes. The orderbook is populated based on a twelve-month forecast, with purchase orders to be issued against the forecast every fifteen weeks. Further disclosures are included in the risk factors for both Exro and SEA.

The Fairness Opinion addresses only the fairness, from a financial point of view, to Exro and the Exro Shareholders other than Vestcor Inc., as of its date, of the Merger Consideration to be paid to the SEA Stockholders in the Transaction and does not address any other aspect of the Transaction, including any legal or regulatory aspects of the Transaction to Exro or the Exro Shareholders other than Vestcor Inc.

The full text of the Fairness Opinion, attached as "*Appendix E – Fairness Opinion*", sets forth, among other things, the relationship of NBF to Exro and SEA, the credentials of NBF, the scope of NBF's review in connection with the Fairness Opinion, assumptions made and limitations to NBF's review in connection with the Fairness Opinion, and the approach taken by NBF in considering the fairness of the Merger Consideration from a financial point of view to the Exro Shareholders other than Vestcor Inc. The Fairness Opinion addresses only the fairness, from a financial point of view, to Exro and the Exro Shareholders other than Vestcor Inc., as of its date, of the Merger Consideration to be provided by Exro to the SEA Stockholders pursuant to the Transaction and does not address any other aspect of the Transaction, including any legal or regulatory aspects of the Transaction to Exro or the Exro Shareholders other than Vestcor Inc.

The Fairness Opinion was one of several factors taken into consideration by the Exro Board in making its unanimous determination that it is in the best interests of Exro to enter into the Merger Agreement and to recommend that Exro Shareholders vote in favour of the Share Issuance Resolution. In evaluating the Transaction, the Exro Board considered, among other things, the advice and financial analyses provided by NBF referred to above, in addition to the Fairness Opinion. In assessing the Fairness Opinion, the Exro Board took into account that a portion of the fees payable to NBF for its services are contingent upon the Closing. Specifically, under the terms of the NBF Engagement Agreement, Exro agreed to pay NBF an advisory fee upon the completion of the Transaction, as well as a fairness opinion fee upon the delivery of the Fairness Opinion, creditable against the advisory fee.

NBF was not asked to prepare and did not prepare a formal valuation of Exro, SEA, or any of their securities or assets and the Fairness Opinion should not be construed as such.

NBF addressed the Fairness Opinion to, and provided it for the information and benefit of, the Special Committee and the Exro Board in connection with its evaluation of the Transaction. The Fairness Opinion may not be relied upon by any Person other than the Special Committee and the Exro Board without the express written consent of NBF, which has been obtained for the purposes of the inclusion of the Fairness Opinion in this Circular and is included in this Circular, and does not constitute a recommendation as to how the Exro Shareholders should vote on the Share Issuance Resolution. NBF expresses no view as to, and the Fairness Opinion does not address, the underlying business decision of Exro to effect the Transaction or the relative merits of the Transaction as compared to any strategic alternatives that may be available to Exro, nor does it address any legal or regulatory matters.

The Exro Board urges the Exro Shareholders to read the Fairness Opinion in its entirety. Any summary of the Fairness Opinion herein is qualified in its entirety by reference to the full text of the Fairness Opinion as set out in "*Appendix E – Fairness Opinion*".

Listing of Exro Common Shares

It is a condition to Closing that the Exro Common Shares issuable under the Merger Agreement be approved for listing on the TSX, subject to the TSX Listing Conditions.

On February 27, 2024, the TSX approved the Financing, the issuance of the 31,600,000 Underlying Shares, and the listing of the Underlying Shares, subject to: (a) the Company receiving the requisite shareholder approvals prior to the satisfaction of the Escrow Release Conditions; and (b) the conversion of the Subscription Receipts following satisfaction of the Escrow Release Conditions (the "**Underlying Share Listing Conditions**").

On March 6, 2024, the TSX conditionally approved the listing of the 398,549,647 Aggregate Exro Common Shares and the 10,000,000 Additional Exro Common Shares, subject to Exro satisfying the Aggregate Share Listing Conditions.

There can be no assurance that the Aggregate Exro Common Shares, the Additional Exro Common Shares or the Underlying Shares will be accepted for listing on the TSX.

Accounting Treatment of Transaction

In accordance with IFRS, the Transaction will be accounted for as a business combination applying the acquisition method of accounting.

The unaudited pro forma financial information presented in this Circular has been derived from, and should be read in conjunction with; (i) the unaudited condensed consolidated interim financial statements of Exro as at and for the three and nine months ended September 30, 2023, (ii) the audited consolidated financial statements of Exro as at and for the years ended December 31, 2022 and December 31, 2021, (iii) the unaudited condensed consolidated interim financial statements of SEA as at and for the three months ended September 30, 2023, and (iv) the audited financial statements as at and for the years ended June 30, 2023 and June 30, 2022.

SEA has a fiscal year end of June 30, which differs from Exro's fiscal year end of December 31. Accordingly, for the purposes of the unaudited pro forma condensed combined consolidated statement of net loss for the nine months ended September 30, 2023, the historical SEA amounts are computed from SEA's historical audited statement of comprehensive income for the year ended June 30, 2023, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022, and to include amounts from the historical unaudited statement of comprehensive income for the three months ended September 30, 2023. For the purposes of the unaudited pro forma condensed consolidated statement of net loss for the year ended December 31, 2022, the historical SEA amounts are computed from SEA's historical audited statement of comprehensive income for the year ended June 30, 2022, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2021, and to include amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022.

The unaudited pro forma statement of financial position as at September 30, 2023 presents the financial positions of Exro and SEA giving pro forma effect to the Transaction as if these events occurred on September 30, 2023. The unaudited pro forma statement of earnings for the year ended December 31, 2022 and the nine months ended September 30, 2023 presents the results of operations of Exro and SEA giving pro forma effect to the Transaction as if these events occurred on January 1, 2022.

The Pro Forma Financial Information has been derived from, and should be read in conjunction with; (i) Exro Interim Financial Statements, (ii) Exro Annual Financial Statements, (iii) the unaudited condensed consolidated interim financial statements of SEA as at and for the three months ended September 30, 2023, and (iv) the audited financial statements of SEA as at and for the years ended June 30, 2023 and June 30, 2022.

Regulatory Approvals Required for the Transaction

As more fully described in and subject to the terms and conditions of the Merger Agreement, Exro and SEA have agreed to use commercially reasonable efforts to (i) obtain all required consents, approvals or waivers from, or participation in other discussions or negotiations with, third parties, including as required under any Material Contract, (ii) obtain all necessary actions or nonactions, waivers, consents, approvals, orders and authorizations from all Governmental Entities, make all necessary registrations, declarations and filings and make all commercially reasonable efforts to obtain an approval or waiver from, or to avoid any Action by, any Governmental Entity, and (iii) execute and deliver any additional instruments necessary to consummate the Transactions and fully carry out the purposes of the Merger Agreement.

Notwithstanding the previous paragraph, neither party shall commit to the payment of any fee, penalty or other consideration or make any other concession, waiver or amendment under any Contract in connection with obtaining any consent without the prior written consent of the other party.

The TSX has approved the listing of the Underlying Shares on February 27, 2024, subject to Exro satisfying the Underlying Share Listing Conditions. The TSX has further conditionally approved the listing of the Aggregate Exro Common Shares and the Additional Exro Common Shares on March 6, 2024, subject to Exro satisfying the Aggregate Share Listing Conditions.

Exro and SEA are not currently aware of any other material consents or other filings that are required prior to the Transaction other than those described in this Circular.

See also "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*" and for more information regarding factors that could impact the Closing, see the section entitled "*Risk Factors*".

Shareholder Approvals

Exro Shareholder Approval

The Transaction is conditional upon, among other things more fully described elsewhere in this Circular, the approval of the Share Issuance Resolution by the affirmative vote of a majority of the votes cast thereon either in person or by proxy at the Meeting.

At the Meeting, Exro Shareholders will be asked to consider the Share Issuance Resolution, the full text of which is set out in "*Appendix A – Share Issuance Resolution*", subject to such amendments, variations or additions as may be approved at the Meeting, approving the issuance of Exro Common Shares in connection with the Transaction and the Financing. Approval of the Share Issuance Resolution requires the affirmative vote of a majority of the votes cast in respect of the resolution by Exro Shareholders present in person or represented by proxy at the Meeting. If the Share Issuance Resolution does not receive the requisite approval, Exro and SEA will not proceed with the Merger.

See "*General Information for the Meeting – Share Issuance Resolution*".

SEA Stockholder Approval

Obtaining the SEA Stockholder Approval is a condition to the respective obligations of each party to effect the Transaction. SEA Stockholder Approval was obtained through written consent following the execution of the Merger Agreement.

Debt Restructuring of SEA

In connection with the Merger Agreement, on January 18, 2024, Exro and SEA entered into the Restructuring Agreement pursuant to which SEA restructured certain of its existing outstanding debt with the Lenders.

Convertible Promissory Notes

In connection with the Restructuring Agreement, among other things, SEA issued to the Lenders new senior secured promissory notes (collectively, the "**New SEA Notes**") replacing its previously issued promissory notes (the "**Existing SEA Notes**"). Pursuant to the terms of the Restructuring Agreement, at Closing Exro shall issue and deliver to the applicable Lenders a replacement senior secured convertible promissory note in the principal amount equal to the outstanding principal amount and all accrued and unpaid interest in the form attached as Exhibit B to the Restructuring Agreement (the "**Convertible Promissory Notes**").

The outstanding principal and all accrued but unpaid interest under the Convertible Promissory Note shall be due and payable on the later of the third anniversary of (i) the Closing or (ii) the issue date of the Convertible Promissory Note unless otherwise earlier fully converted into Exro Common Shares or prepaid by Exro. Interest shall accrue on the outstanding principal of the Convertible Promissory Notes at the annual rate of 12% per annum, compounded semi-annually on June 30 and December 31 of each year, beginning on June 30, 2024.

Beginning on the first anniversary of Closing, a holder of a Convertible Promissory Note, at any time or from time to time following thirty (30) days prior written notice delivered to Exro, may elect to convert up to ten percent (10%) of the then outstanding principal amount of the Convertible Promissory Note (the "**Per Occurrence Conversion Cap**") into Exro Common Shares at a conversion price equal to 125% of the Offering Price of \$0.95. Upon mutual written agreement, the holder and Exro may agree to waive or increase the Per Occurrence Conversion Cap.

Assuming Closing has occurred by June 30, 2024, and no prepayment has been made in respect of the outstanding New SEA Notes, the principal amount of the Convertible Promissory Notes issuable to the Lenders is expected to be approximately US\$52.0 million (approximately \$69.77 million). Accordingly, the maximum number of Exro Common Shares issuable in accordance with such Convertible Promissory Notes would be approximately 58,757,351 Exro Common Shares, based on 125% of the Offering Price of \$0.95 (US\$0.7082, calculated at an exchange rate of 1.3415 Canadian dollars to 1.00 U.S. dollar as of January 30, 2024). The total Exro Common Shares to be issued is estimated based on the exchange rate as at January 30, 2024 and such amount may differ based on the exchange rate at the time of the conversions of the Convertible Promissory Notes. If more than 58,757,351 Exro Common Shares become issuable pursuant to such conversions, Exro will be able to issue certain of the Additional Exro Common Shares to satisfy such share issuances.

In addition, for so long as the Exro Common Shares are listed on the TSX, unless shareholder approval from the disinterested Exro Shareholders has been obtained in accordance with the policies of the TSX, at no time shall a holder be permitted to convert any portion of the principal amount of the Convertible Promissory Notes into Exro Common Shares, if following such conversion, such holder and its associates and affiliates will own, directly or indirectly, more than 19.99% of the outstanding Exro Common Shares.

Treatment of Warrants

Concurrently with the issuance of certain of the Existing SEA Notes, SEA issued the SEA Warrants set forth in Schedule 3 of the Restructuring Agreement to certain of the Lenders. In connection with the Closing, Exro has agreed to replace the 200,004 SEA Warrants with 13,192,843 warrants in the form attached as Exhibit C of the Restructuring Agreement (collectively, the "**Exro Replacement Warrants**"). Pursuant to the Restructuring Agreement, immediately prior to the Closing, the exercise price of the SEA Warrants shall be amended to an exercise price equal to \$53.4299 (the "**SEA Warrant Exercise Price**"). As a result, each Exro Replacement Warrant shall entitle the holder thereof to acquire one Exro Common Share at an exercise price per Exro Common Share equal to \$0.81 following application of the Exchange Ratio to the SEA Warrant Exercise Price. For the avoidance of doubt, if the Closing does not occur in accordance with the Merger Agreement, Exro's obligation to issue the Exro Replacement Warrants will terminate.

In addition, subject to the approval of the TSX, in lieu of exercising an Exro Replacement Warrant for cash, the holder thereof may elect to receive Exro Common Shares equal to the value of such Exro Replacement Warrant (or the portion thereof being exercised) by surrender of such Exro Replacement Warrant to Exro, together with notice of such election (a "**Net Exercise**"). Exro shall issue to a holder who Net Exercises its Exro Replacement Warrant, a number of Exro Common Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where:

X = The number of Exro Common Shares to be issued to the holder (or as such holder may direct).

Y = The number of Exro Common Shares purchasable under such Exro Replacement Warrant (inclusive of the Exro Common Shares surrendered to Exro in payment of the aggregate exercise price) or, if only a portion of the Exro Replacement Warrant is being exercised, the portion of the Exro Replacement Warrant being exercised (at the date of such calculation).

A = The fair market value of one Exro Common Share (at the date of such calculation)

B = The exercise price (as adjusted to the date of such calculations).

For purposes of the foregoing formula, if the Exro Common Shares are then listed on the TSX, subject to approval of the TSX, the fair market value per Exro Common Share issuable hereunder shall be the higher of: (i) the closing price of the Exro Common Shares reported by the TSX for the trading day immediately before the date on which a holder delivers its notice of Net Exercise in the required form to Exro; or (ii) the 5-day VWAP (as such term is defined in the policies of the TSX) of the Exro Common Shares on the TSX immediately before the date on which a holder delivers its notice of Net Exercise in the required form to Exro.

In addition, for so long as the Exro Common Shares are listed on the TSX, unless shareholder approval from the disinterested Exro Shareholders has been obtained in accordance with the policies of the TSX, at no time shall a holder permitted to exercise any Exro Replacement Warrants to acquire Exro Common Shares, if following such exercise, such holder and its associates and affiliates will own, directly or indirectly, more than 19.99% of the outstanding Exro Common Shares.

THE MERGER AGREEMENT

The summary of the material provisions of the Merger Agreement below and elsewhere in this Circular is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is available on Exro's profile on www.sedarplus.com and is incorporated by reference into this Circular. This summary does not purport to be complete and may not provide all of the information about the Merger Agreement that might be important to you. You are urged to read the Merger Agreement carefully and in its entirety because it is the legal document that governs the Transactions described in this Circular.

Explanatory Note Regarding the Merger Agreement and the Summary of the Merger Agreement

The Merger Agreement and the summary of its terms in this Circular are included solely to provide you with information about the terms and conditions of the Merger Agreement. The terms and information in the Merger Agreement are not intended to provide any other public disclosure of factual information about Exro, SEA, and/or Merger Sub, or any of their respective Subsidiaries or Affiliates. The representations, warranties and covenants made in the Merger Agreement by Exro, SEA and Merger Sub were made solely for the purposes of the Merger Agreement and as of specific dates and are qualified and subject to important limitations and exceptions agreed to by Exro, SEA, and Merger Sub in connection with negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purpose of establishing the circumstances in which a party to the Merger Agreement may have the right to not complete the Transaction if the representations and warranties of the other party prove to be untrue or incorrect, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality or Material Adverse Effect different from those generally applicable to shareholders and reports and documents filed on SEDAR+, are qualified by certain matters contained in certain reports publicly on SEDAR+, and in some cases were qualified by the matters contained in the respective confidential disclosure schedules that Exro and SEA delivered to each other in connection with the Merger Agreement, which disclosures were not included in the Merger Agreement filed on Exro's profile on

www.sedarplus.com. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this Circular, may have changed since the date of the Merger Agreement, which subsequent information may or may not be fully reflected in Exro's public disclosures. Investors are not third-party beneficiaries under the Merger Agreement except for the limited purposes expressly set forth therein and should not rely on the representations and warranties or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto or any of their respective Subsidiaries or Affiliates.

Accordingly, the representations and warranties and other provisions of the Merger Agreement should not be read alone, but instead should be read together with the information provided elsewhere in this Circular, the documents incorporated by reference into this Circular, and reports, statements and filings that Exro files on SEDAR+ from time to time.

Structure, Closing and Effectiveness of the Merger

The Merger Agreement provides, among other things, that, upon the terms and subject to the satisfaction or waiver of the conditions set forth therein, at the Effective Time, Merger Sub will merge with and into SEA, with the Surviving Corporation becoming an indirect wholly-owned Subsidiary of Exro.

Merger Consideration

Under the Merger Agreement, at the Effective Time, each share of SEA Common Stock and each share of SEA Preferred Stock, other than the Excluded Shares, will be converted automatically into (i) the number of Exro Common Shares equal to the product of (A) the Exchange Ratio and (B) 0.47698, and (ii) the number of Exro Convertible Preferred Shares equal to the product of (A) the Exchange Ratio and (B) 0.52302.

The Exchange Ratio will not be adjusted for fluctuations in the market price of Exro Common Shares or shares of SEA Common Stock or SEA Preferred Stock between the date of the Merger Agreement and the closing of the Transaction.

No Fractional Shares

In accordance with the Merger Agreement, fractional shares otherwise issuable upon consummation of the Merger shall be rounded down to the nearest whole share. Any fractional Exro Common Shares or Exro Convertible Preferred Shares a holder of shares of SEA Common Stock upon the conversion of shares of SEA Stock would otherwise be entitled to receive shall be aggregated together first and prior to eliminating fractional shares.

Further, with respect to the Exro Replacement Warrants, no fractional Exro Common Shares representing fractional Exro Common Shares shall be issued upon the exercise of a Replacement Warrant. However, in lieu of such fractional Exro Common Shares, Exro will make a payment to the holder of the Replacement Warrant in cash equal to the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 4 of the Replacement Warrant) of a full Exro Common Share, less (ii) the then-effective Exercise Price, as defined in the Replacement Warrant.

Treatment of SEA Stock Awards

SEA Options

Subject to the terms of the Merger Agreement, at the Effective Time, each SEA Option, whether vested or unvested, shall cease to represent a right to acquire shares of SEA Stock, and shall be converted into an Exro Option, provided that the proportion of Exro Common Shares and Exro Convertible Preferred Shares subject to the Exro Options issued to the holders of SEA Options shall be equal among holders of SEA Stock, SEA Options and SEA RSUs.

SEA RSUs

Subject to the terms of the Merger Agreement, at the Effective Time, each SEA RSU, whether vested or unvested, shall cease to represent an interest in shares of SEA Common Stock and shall be converted, at the Effective Time, into an Exro RSU.

SEA Warrants

Subject to the terms of the Merger Agreement, at the Effective Time, each SEA Warrant shall be converted into and become exchangeable for a Replacement Warrant provided, that the proportion of Exro Common Shares and Exro Convertible Preferred Shares subject to the Exro RSUs issued to the holders of SEA RSUs shall be equal among holders of SEA Stock, SEA Options and SEA RSUs.

Anticipated Treatment

The number of Exro Common Shares subject to each such Exro Option, Exro RSU and Replacement Warrant shall be equal to (i) the number of shares of SEA Stock subject to each SEA Option, SEA RSU and SEA Warrant immediately prior to the Effective Time multiplied by (ii) the Exchange Ratio, rounded down, if necessary, to the nearest whole Exro Common Share and Exro Convertible Preferred Share, as applicable. In addition, each Exro Option shall have an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price per share of SEA Stock otherwise purchasable pursuant to such SEA Option divided by (B) the Exchange Ratio (other than for SEA Options to which Section 421 of Internal Revenue Code of 1986, as amended, applies).

Based on the foregoing, it is expected that following Closing approximately 4,085,873 Exro Options, 15,457,743 Exro RSUs and 13,192,843 Exro Replacement Warrants will be held by the SEA Stockholders, exercisable into approximately 22,514,756 Exro Common Shares and approximately 10,221,703 Exro Convertible Preferred Shares.

Conditions that Must be Satisfied or Waived for the Merger to Occur

Mutual Conditions to Closing the Transaction

The obligations of Exro and SEA to effect the Transaction are subject to the satisfaction at or prior to the Closing of each of the following conditions:

- The Exro Shareholder Approval having been obtained.
- The SEA Stockholder Approval having been obtained.
- The expiration of any applicable waiting period (and any extension thereof) under applicable Law relating to any transactions contemplated under the Merger Agreement.
- No temporary restraining order, preliminary or permanent injunction or other judgment, order or decree having been issued by any court of competent jurisdiction or other legal restraint or prohibition having been in effect, and no Law having been enacted, entered, promulgated, enforced or deemed applicable by any Governmental Entity prohibiting or making illegal the consummation of the Merger.
- The Exro Common Shares issuable to SEA Stockholders (including the Exro Common Shares issued upon conversion of the Exro Convertible Preferred Shares) having been approved for listing on the TSX, subject only to TSX Listing Conditions.
- There being no pending or threatened Action by any Governmental Entity seeking to challenge, make illegal or otherwise prohibit or materially delay the Merger or any transactions contemplated under the Merger Agreement.
- Exro having provided evidence satisfactory to SEA that Exro has, or is the sole beneficiary of an escrow holding, cash and cash equivalents of at least C\$30,000,000 immediately prior to the Closing, or in the case of an escrow, to be released to Exro immediately following the Effective Time.

Conditions to the Obligations of Exro and Merger Sub

The obligations of Exro and Merger Sub to effect the Transaction are also subject to the satisfaction or waiver by Exro at or prior to the Closing of the following conditions:

- The representations and warranties of SEA contained in the Merger Agreement being true and correct as of the date of the Merger Agreement and as of the Closing Date as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date), subject to the materiality standards provided in the Merger Agreement.
- SEA having performed in all material respects its obligations required under the Merger Agreement at or prior to the Effective Time.
- No event, change, circumstance, occurrence, effect or state of facts having occurred that, individually or in the aggregate, had a SEA Material Adverse Effect.
- SEA having provided an officers' certificate to Exro certifying the truth of SEA's representations and warranties under the Merger Agreement, the performance of SEA's obligations under the Merger Agreement, and the absence of a SEA Material Adverse Effect, each as further described in the Merger Agreement.
- SEA having provided to Exro a properly executed certificate complying with the terms of the Treasury Regulation and form of notice to the IRS, each substantially in the forms set out in the Merger Agreement.

Conditions to the Obligations of SEA

The obligations of SEA to effect the Transaction are also subject to the satisfaction or waiver by SEA at or prior to the Closing of the following conditions:

- the representations and warranties of Exro and Merger Sub contained in the Merger Agreement being true and correct as of the date of the Merger Agreement and as of the Closing Date as though made as of the Closing Date (except to the extent expressly made as of an earlier date, in which case, as of such date), subject to the materiality standards provided in the Merger Agreement.
- Exro and Merger Sub having performed in all material respects its obligations required under the Merger Agreement at or prior to the Effective Time.
- No event, change, circumstance, occurrence, effect or state of facts having occurred that, individually or in the aggregate, had an Exro Material Adverse Effect.
- Exro having provided an officers' certificate to SEA certifying the truth of Exro's representations and warranties under the Merger Agreement, the performance of Exro's obligations under the Merger Agreement, and the absence of an Exro Material Adverse Effect, each as further described in the Merger Agreement.
- Exro having filed the Articles of Amendment with the British Columbia Business Registry and the Exro Convertible Preferred Shares validly existing as a duly designated class of Exro Preferred Shares under the Exro Constatng Documents.

Frustration of Closing Conditions

Under the Merger Agreement, none of Exro, Merger Sub or SEA may rely on the failure of any conditions precedent set forth in Article VI of the Merger Agreement and summarized above under "*Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*" to be satisfied if such failure was caused by such party's breach of the Merger Agreement.

Representations and Warranties

The Merger Agreement contains a number of representations and warranties made by each of SEA, Exro and Merger Sub solely for the benefit of Exro and Merger Sub, on the one hand, or SEA, on the other hand, that are subject in some cases to important exceptions and qualifications including, among other things, as to materiality and Material Adverse Effect.

Furthermore, the assertions embodied in those representations and warranties are qualified by information in the Exro Disclosure Schedules and the SEA Disclosure Schedule, respectively (each of which are not reflected in the Merger Agreement and will not otherwise be publicly disclosed) and, with respect to Exro, Exro's public filings. The Exro Disclosure Schedules and the SEA Disclosure Schedules each contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. For more information, see "*The Merger Agreement – Material Adverse Effect*" for a definition of Material Adverse Effect applicable to each of Exro and SEA. The representations and warranties were used for the purpose of allocation of risk between the parties to the Merger Agreement rather than establishing matters of fact. For the foregoing reasons, these descriptions, representations and warranties should not be read alone. The representations and warranties of SEA, Exro and Merger Sub in the Merger Agreement relate to, among other things:

- due organization, valid existence, good standing, corporate power and authority, qualification to do business, organizational documents and with respect to SEA and Exro, ownership of their respective Subsidiaries;
- capital structure, including in particular the number of shares, shares of capital stock, and equity-based awards issued and outstanding or reserved for issuance and the absence of certain outstanding debt and securities;
- corporate power and authority to enter into the Merger Agreement and to complete the Transactions contemplated by the Merger Agreement, board recommendations, requisite stockholder/shareholder approvals and the enforceability of the Merger Agreement;
- consents and approvals relating to the execution, delivery and performance of the Merger Agreement, other than certain listed required filings with, and the consents and approvals of, Governmental Entities in connection with the Transactions contemplated by the Merger Agreement;
- absence of conflicts with or breaches of its or its Subsidiaries' governing documents, certain contracts or applicable laws as a result of the execution, delivery and performance of the Merger Agreement and the completion of the Transaction;
- preparation of financial statements in compliance with GAAP or IFRS, as applicable;
- fair presentation of consolidated financial position in financial statements;
- no undisclosed liabilities;
- absence of misrepresentations contained in any of the information supplied by or on behalf of Exro, Merger Sub or SEA for inclusion in this Circular or the Exro Prospectus Supplement at the time this Circular or the Exro Prospectus Supplement is filed with the Canadian Securities Regulators or at the time of any amendment or supplement thereto;
- absence of SEA Material Adverse Effects or Exro Material Adverse Effects, as applicable;
- absence of pending or threatened litigation;
- compliance with Laws, possession of requisite permits and absence of any violation of any Law or permits;
- matters related to employee benefit plans, and labor and employment;
- environmental matters;
- tax matters;
- no undisclosed material contracts;
- matters related to the validity and binding nature of Material Contracts and no material breaches thereof;
- sufficiency and effect of insurance policies;
- matters related to real property;
- intellectual property, IT assets and data privacy matters;
- inapplicability of Takeover Laws (as such term is defined in the Merger Agreement);
- absence of related party transactions;
- absence of illegal or unlawful payments;
- matters with respect to certain suppliers and customers;
- compliance with International Trade Laws (as such term is defined in the Merger Agreement);

- no brokers' fees in connection with the Transactions contemplated by the Merger Agreement except as enumerated; and
- no representations or warranties other than set forth in the Merger Agreement and no reliance on forward-looking information.

The Merger Agreement also contains representations and warranties made by SEA as to, among other things:

- valid title to or leasehold interests in assets and properties (including real property);
- absence of ownership of real property, and matters related to leased properties; and
- absence of brokers entitled to broker's or similar fees or commission other than Canaccord Genuity LLC or Eight Capital.

The Merger Agreement also contains representations and warranties made by Exro as to, among other things:

- compliance with filing requirements with Canadian Securities Regulators and the TSX since December 31, 2019;
- disclosure controls and procedures and internal controls over financial reporting;
- the absence of any event, change, occurrence or development that has had or would reasonably be expected to have an Exro Material Adverse Effect, individually or in the aggregate, on Exro, as applicable, since December 31, 2022;
- no undisclosed material real property, whether leased or owned, and good and valid title to owned real property;
- absence of brokers entitled to broker's or similar fees or commission other than NBF;
- receipt of the Fairness Opinion from NBF;
- formation of Merger Sub solely for purposes of engaging in Merger;
- financing matters; and
- absence of resale restrictions with respect to Exro Common Shares and Exro Convertible Preferred Shares being issued pursuant to the Merger Agreement under Canadian Securities Laws.

Material Adverse Effect

Specified representations and warranties in the Merger Agreement are subject to materiality, Exro Material Adverse Effect or SEA Material Adverse Effect qualifications (that is, such representations or warranties will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, has had or would reasonably be expected to have an Exro Material Adverse Effect or SEA Material Adverse Effect, as applicable).

For purposes of the Merger Agreement, an Exro Material Adverse Effect or SEA Material Adverse Effect (together, a "**Material Adverse Effect**") means any event, change, circumstance, occurrence, effect or state of facts that (A) is or would reasonably be expected to be materially adverse to the business, assets, liabilities, condition (financial or otherwise), or results of operations of the applicable party and its Subsidiaries, taken as a whole, or (B) materially impairs the ability of the applicable party to consummate, or prevents or materially delays, the Merger or any of the other transactions contemplated by the Merger Agreement or would reasonably be expected to do so; provided, however, that in the case of clause (A) only, the Material Adverse Effect shall not include any event, change, circumstance, occurrence, effect or state of facts to the extent resulting from:

- (1) any changes in general economic or business conditions or in the financial, debt, banking, capital, credit or securities markets or in interest or exchange rates, in each case, in the United States, Canada or elsewhere in the world;
- (2) any changes or developments generally affecting any of the industries in which the applicable party or its Subsidiaries operate;

- (3) any actions required under the Merger Agreement to obtain any approval or authorization under applicable antitrust laws or U.S. or non-U.S. national security/foreign ownership laws for the consummation of the Merger or any of the other transactions contemplated thereby;
- (4) any adoption, implementation, modification, repeal or other changes in any applicable Laws, decrees, orders or other directives of any Governmental Entity (including any actions taken by any Governmental Entity in connection with any of the events set forth in clauses (6), (7), (8) or (9) of this section, including adoption of or changes in any public health measures) or any changes in applicable accounting regulations or principles (including IFRS), or in interpretations of any of the foregoing;
- (5) any failure by the applicable party to meet internal projections, forecasts or revenue or earnings predictions, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of "Exro Material Adverse Effect" or "SEA Material Adverse Effect" may be taken into account in determining whether there has been a Material Adverse Effect);
- (6) political, geopolitical, social or regulatory conditions, including any outbreak, continuation or escalation of any military conflict, declared or undeclared war, armed hostilities, including, for the avoidance of doubt, the conflict between Russia and Ukraine and any escalation or worsening thereof, and any sanctions or other Laws, directives, policies, guidelines or recommendations promulgated by any Governmental Entity in connection therewith, civil unrest, public demonstrations, acts of sabotage, acts of foreign or domestic terrorism, malicious cyber enabled activities (including, hacking, data loss, ransomware and other unauthorized cyber intrusions that seek to compromise the confidentiality, integrity or availability of computer or communications system or information therein), or governmental shutdown or slowdown, or any escalation or worsening of any such conditions;
- (7) any natural or manmade disasters or calamities, weather conditions including hurricanes, floods, tornados, tsunamis, earthquakes and wild fires, cyber outages, or other force majeure events, or any escalation or worsening of such conditions;
- (8) any epidemic, pandemic or outbreak of disease (including, for the avoidance of doubt, COVID-19), or any escalation or worsening of such conditions;
- (9) any other regional, national or international calamity, crisis or emergency, whether or not caused by any Person;
- (10) the announcement of the Merger Agreement and the Transaction, including the initiation of litigation by any Person with respect the Merger Agreement, and including any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners, contractors, consultants, or employees of the applicable party and its Subsidiaries due to the announcement and performance of the Merger Agreement or the identity of the parties to the Merger Agreement, or the performance of the Merger Agreement and the Transaction, including compliance with the covenants set forth herein;
- (11) any action taken by the applicable party, or which the applicable party causes to be taken by any of its Subsidiaries, in each case which is required or permitted by or resulting from or arising in connection with the express terms of the Merger Agreement;
- (12) any matters set forth in the Exro Disclosure Letter or the SEA Disclosure Letter, as applicable; or
- (13) any actions taken (or omitted to be taken) at the request or with the consent of the applicable party;

provided, in case of clauses (1), (2), (3), (6), (7), (8) or (9) of this section, to the extent the impact of such event, change, occurrence or effect is not disproportionately adverse to the applicable party and its Subsidiaries, taken as a whole, as compared to other participants in the industries in the geographic markets in which the applicable party and its Subsidiaries conduct business (and, provided further, that in such event, only the incremental disproportionate adverse impact shall be taken into account when determining whether there has been an "Exro Material Adverse Effect" or "SEA Material Adverse Effect", as applicable).

Conduct of Business Pending the Merger

SEA

Except as otherwise consented to in writing in advance by Exro or otherwise specified in the Merger Agreement, during the period between the date of the Merger Agreement and the Effective Time, SEA shall, and shall cause each of its Subsidiaries to, carry on its business in the ordinary course of business consistent with past practice and use reasonable best efforts to preserve intact its business organization, preserve its assets, rights and properties in good repair and condition, keep available the services of its current officers, employees and consultants and preserve its goodwill and its relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with it.

Additionally, except as otherwise permitted in the Merger Agreement, SEA shall not, and shall not permit any of its Subsidiaries to:

- declare, set aside or pay any dividends on, or make other distributions in respect of, any of its capital stock or other equity interests;
- issue, deliver, sell, grant, pledge or otherwise encumber or subject any Lien (as such term is defined in the Merger Agreement) shares of its capital stock or other equity interests or convertible or exchangeable securities, or any rights, warrants or options to acquire such shares or other equity interests, or any stock appreciation rights, "phantom" stock rights, performance units, rights to receive shares of capital stock of SEA on a deferred basis or other rights linked to the value of shares of SEA Stock;
- amend or change its certificate of incorporation or bylaws;
- directly or indirectly acquire or agree to acquire any corporation, partnership, association or business organization or division thereof or assets otherwise material to SEA or its Subsidiaries other than inventory acquired in the ordinary course of business consistent with past practice;
- directly or indirectly sell, lease, license, sell and leaseback, abandon, mortgage or otherwise encumber or subject to any Lien or otherwise dispose in whole or in part of any of its material properties, assets or rights or any interest therein, except sales of inventory in the ordinary course of business consistent with past practice;
- adopt or enter into a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;
- become liable for, or repay or prepay, amend, modify or refinance any Indebtedness (as defined in the Merger Agreement), or make any loans, advances or capital contributions to, or investments in, any other Person other than SEA or one of its Subsidiaries;
- incur or commit to incur any capital expenditure or authorization or commitment with respect thereto that in the aggregate are in excess of US\$50,000;
- pay, discharge, settle or satisfy any claims, liabilities or obligations, other than the payment, discharge or satisfaction in the ordinary course of business consistent with past practice or as required by their terms as in effect on the date of the Merger Agreement of claims, liabilities or

obligations reflected or reserved against in the most recent audited financial statements (or the notes thereto) of SEA or incurred since the date of such financial statements in the ordinary course of business consistent with past practice, cancel any material Indebtedness owed to SEA or any of its Subsidiaries or waive, release, grant or transfer any right of material value;

- modify, amend, terminate, cancel or extend any Material Contract, or enter into any contract that if in effect on the date hereof would be a Material Contract;
- commence any Action, or compromise, settle or agree to settle any Action (including any Action relating to the Merger Agreement or the transactions contemplated thereby) other than compromises, settlements or agreements in the ordinary course of business consistent with past practice that involve only the payment of money damages not in excess of US\$250,000 individually or US\$500,000 in the aggregate, in any case without the imposition of any equitable relief on, or the admission of wrongdoing by, SEA;
- change its financial accounting methods, principles or practices, except insofar as may have been required by a change in GAAP or applicable Law, or revalue any of its material assets;
- settle or compromise any material liability for Taxes; file any amended Tax Return or claim for Tax refund for a material amount of Taxes; make, revoke or modify any material Tax election; file any material Tax Return other than on a basis consistent with past practice; consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of a material amount of Taxes; grant any power of attorney with respect to Taxes; enter into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement, Tax holiday or any closing or other similar agreement (other than such agreement entered into in the ordinary course of business the primary purpose of which does not relate to Taxes); or change any material method of accounting for Tax purposes;
- change its fiscal or financial year;
- grant any current or former director, officer, employee or independent contractor any increase in compensation, bonus or other benefits, or any such grant of any type of compensation or benefits to any current or former director, officer, employee or independent contractor not previously receiving or entitled to receive such type of compensation or benefit, or pay any bonus of any kind or amount to any current or former director, officer, employee or independent contractor;
- grant or pay to any current or former director, officer, employee or independent contractor any severance, change in control or termination pay, or modifications thereto or increases therein;
- pay any benefit or grant or amend any award (including in respect of stock options, stock appreciation rights, performance units, restricted stock or other stock-based or stock-related awards or the removal or modification of any restrictions in any SEA Plan or awards made thereunder) except as required to comply with any applicable Law or any SEA Plan in effect as of the date hereof;
- adopt or enter into any collective bargaining agreement or other labor union contract;
- take any action to accelerate the vesting, funding or payment of any compensation or benefit under any SEA Plan or other Contract;
- adopt any new employee benefit or compensation plan or arrangement or amend, modify or terminate any existing SEA Plan, in each case for the benefit of any current or former director, officer, employee or independent contractor, other than as required by applicable Law;
- hire employees at the executive level or higher or other than in the ordinary course of business consistent with past practice, any other employees;

- terminate any employees of SEA or its Subsidiaries or otherwise cause any employees of SEA or its Subsidiaries to resign, in each case other than in the ordinary course of business consistent with past practice or for cause or poor performance (documented in accordance with SEA's past practices);
- fail to keep in force insurance policies or replacement or revised provisions regarding insurance coverage with respect to the assets, operations and activities of SEA and its Subsidiaries as currently in effect;
- renew or enter into any non-compete, exclusivity, non-solicitation or similar agreement that would restrict or limit, in any material respect, the operations of SEA or any of its Subsidiaries;
- enter into any new line of business outside of its existing business;
- enter into any new lease or amend the terms of any existing lease of real property that would require payments over the remaining term of such lease in excess of US\$250,000;
- take any action (or omit to take any action) if such action (or omission) could reasonably be expected to result in any of the conditions to the Merger set forth in Article VI of the Merger Agreement not being satisfied; or
- authorize any of, or commit, resolve or agree to take any of, the foregoing actions.

Exro

Except as otherwise consented to in writing in advance by SEA or otherwise specified in the Merger Agreement, during the period between the date of the Merger Agreement and the Effective Time, Exro shall, and shall cause each of its Subsidiaries to, carry on its business in the ordinary course of business consistent with past practice and use reasonable best efforts to preserve intact its business organization, preserve its assets, rights and properties in good repair and condition, keep available the services of its current officers, employees and consultants and preserve its goodwill and its relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with it.

Additionally, except as otherwise permitted in the Merger Agreement Exro shall not, and shall not permit any of its Subsidiaries to:

- declare, set aside or pay any dividends on, or make other distributions in respect of, any of its capital stock or other equity interests;
- issue, deliver, sell, grant, pledge or otherwise encumber or subject any Lien (as such term is defined in the Merger Agreement) shares or other equity interests or any convertible or exchangeable securities, or any rights, warrants or options to acquire such shares or other equity interests, or any stock appreciation rights, "phantom" stock rights, performance units, rights to receive shares of Exro on a deferred basis or other rights linked to the value of shares of Exro Common Shares or Exro Convertible Preferred Shares, including pursuant to contracts in effect as of the date of the Merger Agreement;
- amend or change its certificate of incorporation or bylaws;
- directly or indirectly acquire or agree to acquire any corporation, partnership, association or business organization or division thereof or assets otherwise material to Exro or its Subsidiaries other than inventory acquired in the ordinary course of business consistent with past practice;
- directly or indirectly sell, lease, license, sell and leaseback, abandon, mortgage or otherwise encumber or subject to any Lien or otherwise dispose in whole or in part of any of its material properties, assets or rights or any interest therein, except sales of inventory in the ordinary course of business consistent with past practice;

- adopt or enter into a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;
- become liable for, or repay or prepay, amend, modify or refinance any Indebtedness (as defined in the Merger Agreement), or make any loans, advances or capital contributions to, or investments in, any other Person other than Exro or one of its Subsidiaries;
- incur or commit to incur any capital expenditure or authorization or commitment with respect thereto that in the aggregate are in excess of US\$250,000;
- pay, discharge, settle or satisfy any claims, liabilities or obligations, other than the payment, discharge or satisfaction in the ordinary course of business consistent with past practice or as required by their terms as in effect on the date of the Merger Agreement of claims, liabilities or obligations reflected or reserved against in the most recent audited financial statements (or the notes thereto) of Exro or incurred since the date of such financial statements in the ordinary course of business consistent with past practice, cancel any material Indebtedness owed to Exro or any of its Subsidiaries or waive, release, grant or transfer any right of material value;
- modify, amend, terminate, cancel or extend any Material Contract, or enter into any contract that if in effect on the date hereof would be a Material Contract;
- commence any Action, or compromise, settle or agree to settle any Action (including any Action relating to the Merger Agreement or the transactions contemplated thereby) other than compromises, settlements or agreements in the ordinary course of business consistent with past practice that involve only the payment of money damages not in excess of US\$250,000 individually or US\$500,000 in the aggregate, in any case without the imposition of any equitable relief on, or the admission of wrongdoing by, Exro;
- change its financial accounting methods, principles or practices, except insofar as may have been required by a change in IFRS or applicable Law, or revalue any of its material assets;
- settle or compromise any material liability for Taxes; file any amended Tax Return or claim for Tax refund for a material amount of Taxes; make, revoke or modify any material Tax election; file any material Tax Return other than on a basis consistent with past practice; consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of a material amount of Taxes; grant any power of attorney with respect to Taxes; enter into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement, Tax holiday or any closing or other similar agreement (other than such agreement entered into in the ordinary course of business the primary purpose of which does not relate to Taxes); or change any material method of accounting for Tax purposes;
- change its fiscal or financial year;
- grant any current or former director, officer, employee or independent contractor any increase in compensation, bonus or other benefits, or any such grant of any type of compensation or benefits to any current or former director, officer, employee or independent contractor not previously receiving or entitled to receive such type of compensation or benefit, or pay any bonus of any kind or amount to any current or former director, officer, employee or independent contractor;
- grant or pay to any current or former director, officer, employee or independent contractor any severance, change in control or termination pay, or modifications thereto or increases therein;
- pay any benefit or grant or amend any award (including in respect of stock options, stock appreciation rights, performance units, restricted stock or other stock-based or stock-related awards or the removal or modification of any restrictions in any Exro Plan or awards made thereunder) except as required to comply with any applicable Law or any Exro Plan in effect as of the date hereof;

- adopt or enter into any collective bargaining agreement or other labor union contract;
- take any action to accelerate the vesting, funding or payment of any compensation or benefit under any Exro Plan or other Contract;
- adopt any new employee benefit or compensation plan or arrangement or amend, modify or terminate any existing Exro Plan, in each case for the benefit of any current or former director, officer, employee or independent contractor, other than as required by applicable Law;
- hire employees at the executive level or higher or other than in the ordinary course of business consistent with past practice, any other employees;
- terminate any employees of Exro or its Subsidiaries or otherwise cause any employees of Exro or its Subsidiaries to resign, in each case other than in the ordinary course of business consistent with past practice or for cause or poor performance (documented in accordance with Exro's past practices);
- fail to keep in force insurance policies or replacement or revised provisions regarding insurance coverage with respect to the assets, operations and activities of Exro and its Subsidiaries as currently in effect;
- renew or enter into any non-compete, exclusivity, non-solicitation or similar agreement that would restrict or limit, in any material respect, the operations of Exro or any of its Subsidiaries;
- enter into any new line of business outside of its existing business;
- enter into any new lease or amend the terms of any existing lease of real property that would require payments over the remaining term of such lease in excess of US\$250,000;
- take any action (or omit to take any action) if such action (or omission) could reasonably be expected to result in any of the conditions to the Merger set forth in Article VI of the Merger Agreement not being satisfied; or
- authorize any of, or commit, resolve or agree to take any of, the foregoing actions.

No Solicitation

Except as otherwise specified in the Merger Agreement, until the Specified Time, each of Exro, SEA and their respective Subsidiaries shall not, and each of Exro and SEA shall instruct their respective investment bankers, attorneys, accountants and other advisors or representatives not to:

- directly or indirectly, solicit any offers or inquiries that could reasonably be expected to lead to an Acquisition Proposal;
- enter into or engage in any discussions or negotiations regarding any Acquisition Proposal or furnish to any person any non-public information or afford any person other than Exro or SEA, as applicable, and their respective Representatives, access to such party's property, books or records (except pursuant to a request by a Governmental Entity) in connection with any Acquisition Proposal;
- take any action to make provisions of any Takeover Laws inapplicable to the transactions contemplated by an Acquisition Proposal; or
- publicly propose to do any of the foregoing.

However, in respect of an unsolicited, *bona fide* Acquisition Proposal received by Exro, if the Exro Board determines in good faith after consultation with its financial advisor and legal counsel, that the applicable

Acquisition Proposal received constitutes or could reasonably be expected to constitute or lead to a Superior Proposal, and Exro has been, and continues to be, in compliance with its obligations under the Merger Agreement, Exro may furnish non-public information about Exro and its Subsidiaries to any Qualified Person pursuant an Acceptable Confidentiality Agreement, or engage in discussions or negotiations (including solicitation of revise Acquisition Proposals) with any Qualified Person regarding any such Acquisition Proposal, provided Exro remains in compliance with its non-solicitation obligations under the Merger Agreement.

Change of Recommendation

Except as specified in the Merger Agreement and summarized below, prior to the Specified Time, the Exro Board shall not withhold, withdraw or modify, or publicly propose to withdraw or modify, its approval or recommendation or declaration of advisability by the Exro Board or any such committee of the Merger Agreement or the Transaction (an "**Exro Board Recommendation Change**").

Further, neither Exro nor SEA may enter into an Alternative Acquisition Agreement providing for the consummation of a transaction contemplated by any Acquisition Proposal (other than a confidentiality agreement referred to in Section 5.2(a) of the Merger Agreement), and each of the Exro Board and the SEA Board, and each committee thereof, may not, except as otherwise specified in the Merger Agreement, adopt, approve or recommend, or publicly propose to adopt, approve or recommend, any Acquisition Proposal.

However, if Exro receives an Acquisition Proposal that constitutes a Superior Proposal at any time prior to the Exro Shareholder Approval, the Exro Board may effect an Exro Board Recommendation Change and cause Exro to enter into a definitive agreement with respect to such Superior Proposal, if and only if:

- the Exro Board shall have determined in good faith (after consultation with outside legal counsel) that the failure to effect an Exro Board Recommendation Change would be inconsistent with its fiduciary obligations under applicable law;
- Exro has provided at least five (5) Business Days prior written notice (the "**Written Notice Period**") to SEA that it intends to effect an Exro Board Recommendation Change, including a description in reasonable detail of the reasons for such recommendation change, and written copies of any relevant proposed transaction agreements with any party making a potential Superior Proposal;
- Exro has been, and continues to be, in compliance in all material with the requirements specified in the Merger Agreement;
- if SEA has delivered to Exro a written, binding and irrevocable offer to alter the terms or conditions of the Merger Agreement during the Written Notice Period, the Exro Board must determine in good faith (after consultation with its financial advisor and outside legal counsel), that the Acquisition Proposal continues to constitute a Superior Proposal and after considering the terms of such offer by the other party, that failure to effect an Exro Board Recommendation Change would be inconsistent with its fiduciary obligations under applicable Law; and
- prior to or concurrently with entering into a definitive agreement with respect to the Superior Proposal, Exro or Merger Sub terminates the Merger Agreement pursuant to Section 7.1(d)(ii) of the Merger Agreement and pays the Exro Termination Fee.

If a material amendment is made to any Superior Proposal, Exro will be required to provide the other party with notice of such material amendment and a new Written Notice Period will commence following such notification.

Efforts to Obtain Required Stockholder/Shareholder Votes

SEA obtaining the SEA Stockholder Approval and Exro obtaining the Exro Shareholder Approval are each conditions precedent that must be satisfied at or prior to the Effective Time in order for Exro and SEA, respectively, to have obligations to effect the Merger.

The SEA Stockholder Approval is the only vote of the holders of any class or series of SEA's capital stock or other securities required in connection with the consummation of the Merger. Other than the SEA Stockholder Approval, no vote of the holders of any class or series of SEA's capital stock or other securities is required in connection with the consummation of any of the transactions contemplated in the Merger Agreement to be consummated by Exro other than the Merger.

Pursuant to the Merger Agreement, Exro must duly call, give notice of, convene and hold a shareholders' meeting solely for the purpose of obtaining the Exro Shareholder Approval, which shall in any event be no later than March 29, 2024, such meeting being the Meeting described in this Circular. Exro may postpone or adjourn the Meeting solely:

- with the consent of SEA;
- due to the absence of a quorum, or if Exro has not received proxies representing a sufficient number of shares for Exro Shareholder Approval, whether or not a quorum is present, to solicit additional proxies; or
- to allow reasonable additional time for the filing and mailing of any supplemental or amended disclosure which the Exro Board has determined in good faith after consultation with outside legal counsel is necessary under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by Exro Shareholders prior to the Meeting.

However, Exro may not postpone or adjourn the Meeting more than a total of two times due to lack of quorum or insufficiency in number of proxies.

Exro shall, at the request of SEA, and to the extent permitted by Law, adjourn the Meeting to a date specified by SEA for the absence of a quorum or if Exro has not received proxies representing a sufficient number of shares for the Exro Shareholder Approval; provided, that Exro shall not be required to adjourn the Meeting more than one time for this reason, and no such adjournment pursuant shall be required to be for a period exceeding 10 Business Days. Except in the case of an Exro Board Recommendation Change specifically permitted by Section 5.2(a) of the Merger Agreement (*Recommendation of the Merger – No Solicitation or Negotiation*), Exro, through the Exro Board, shall (i) recommend to its shareholders that they vote in favor of the Merger and the transactions contemplated thereby, (ii) include such recommendation in this Circular and (iii) publicly reaffirm such recommendation within 24 hours after a request to do so by SEA.

Exro agrees that, except in the event of an Exro Board Recommendation Change specifically permitted by Section 5.2(a) of the Merger Agreement (*Recommendation of the Merger – No Solicitation or Negotiation*), Exro shall use its reasonable best efforts to solicit proxies to obtain the Exro Shareholder Approval, and its obligations pursuant to Section 5.3(b) of the Merger Agreement (*Preparation of Management Information Circular; Shareholders' Meeting*) shall not be affected by the commencement, public proposal, public disclosure or communication to Exro or any other Person of any Acquisition Proposal or the occurrence of any Exro Board Recommendation Change.

The Exro Shareholder Approval is the only vote of the holders of any class or series of Exro's capital stock or other securities required in connection with the consummation of the Merger. Other than the Exro Shareholder Approval, no vote of the holders of any class or series of Exro's capital stock or other securities is required in connection with the consummation of any of the transactions contemplated in the Merger Agreement to be consummated by Exro other than the Merger.

After both the Exro Shareholder Approval and the SEA Stockholder Approval have been obtained, no amendment shall be made that pursuant to applicable Law requires further approval or adoption by the stockholders of the SEA or the stockholders of Exro without such further approval or adoption.

Termination or Abandonment of the Merger Agreement

Subject to the conditions and circumstances described in the Merger Agreement, the Merger Agreement may be terminated and abandoned at any time prior to the Effective Time, whether before or after the SEA Stockholder Approval has been obtained:

- by mutual written consent of Exro and SEA;
- by either Exro or SEA if:
 - the Merger has not been consummated on or before June 30, 2024, provided that the right to terminate shall not be available to either Exro or SEA if that party's failure to fulfill in any material respect any of its obligations under the Merger Agreement has been the primary cause of, or the primary factor that resulted in, the failure of the Merger to be consummated on or before June 30, 2024;
 - any court of competent jurisdiction or other Governmental Entity shall have issued a final, non-appealable judgment, order, injunction, rule or decree, or taken any other action restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the Merger Agreement, subject to the terms of the Merger Agreement; or
 - the Exro Shareholder Approval has not been obtained at the Meeting or any adjournment or postponement thereof;
- by SEA if:
 - Exro or Merger Sub have breached or failed to perform any of their respective representations, warranties, covenants or agreements set forth in the Merger Agreement, except as otherwise specified in the Merger Agreement, or if any representation or warranty of Exro or Merger Sub shall have become untrue, which breach or failure to perform or to be true, either individually or in the aggregate, if occurring or continuing at the Effective Time, would have one of the effects specified in the Merger Agreement; or
 - an Exro Board Recommendation Change has occurred, if Exro fails to publicly recommend against a tender or exchange offer relating to the securities within 10 Business Days, if Exro fails to publicly reaffirm its recommendation of the Merger within 10 Business Days following the date of an Acquisition Proposal or material modification thereto, if Exro breaches or fails to perform its obligations under Section 5.2 (*Recommendation of the Merger*) or 5.3 (*Preparation of Management Information Circular; Shareholders' Meeting*) of the Merger Agreement, or if Exro or the Exro Board (or any committee thereof) formally resolves or publicly authorizes or proposes to take any of the foregoing actions; and
- by Exro or Merger Sub if:
 - SEA has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Merger Agreement, or if any representation or warranty of SEA becomes untrue, which breach or failure to perform or to be true, either individually or in the aggregate, if occurring or continuing at the Effective Time, would have one of the effects specified in the Merger Agreement; or

- prior to obtaining Exro Shareholder Approval, the Exro Board authorizes Exro, in accordance with the terms and conditions of the Merger Agreement, to enter into a definitive written agreement (other than an Acceptable Confidentiality Agreement) with respect to a Superior Proposal, provided that Exro pays the Exro Termination Fee.

Notice of Termination; Effect of Termination

Except as described in the section below entitled "*The Merger Agreement – Termination or Abandonment of the Merger Agreement – Termination Fees*", if the Merger Agreement is validly terminated in accordance with its terms, the Merger Agreement will be null and void and there will be no liability on the part of SEA, Exro, Merger Sub or their respective Subsidiaries or Affiliates, except that: (i) certain provisions of the Merger Agreement will survive such termination, including those relating to termination payments and confidentiality; (ii) no such termination will relieve any party for liability for such party's fraud; and (iii) the confidentiality agreement, the expense reimbursement and indemnification provisions, the termination provisions and certain miscellaneous provisions will survive the termination.

Termination Fees

SEA has agreed to pay the SEA Termination Fee of US\$11,429,000 to Exro in consideration for Exro's disposition of its contractual rights under the Merger Agreement, if SEA has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Merger Agreement, or if any representation or warranty of SEA becomes untrue, which breach or failure to perform or to be true, either individually or in the aggregate, if occurring or continuing at the Effective Time, would have one of the effects specified in the Merger Agreement.

Exro has agreed to pay or cause to be paid the Exro Termination Fee of US\$11,429,000 to SEA in consideration for SEA's disposition of its contractual rights under the Merger Agreement, if:

- Exro or Merger Sub have breached or failed to perform any of its respective representations, warranties, covenants or agreements set forth in the Merger Agreement, except as otherwise specified in the Merger Agreement, or if any representation or warranty of Exro or Merger Sub shall have become untrue, which breach or failure to perform or to be true, either individually or in the aggregate, if occurring or continuing at the Effective Time, would have one of the effects specified in the Merger Agreement;
- an Exro Board Recommendation Change has occurred, if Exro fails to publicly recommend against a tender or exchange offer relating to the securities within 10 Business Days, if Exro fails to publicly reaffirm its recommendation of the Merger within 10 Business Days following the date of an Acquisition Proposal or material modification thereto, if Exro breaches or fails to perform its obligations under Section 5.2 (*Recommendation of the Merger*) or Section 5.3 (*Preparation of Management Information Circular; Shareholders' Meeting*) of the Merger Agreement, or if Exro or the Exro Board (or any committee thereof) formally resolves or publicly authorizes or proposes to take any of the foregoing actions;
- prior to obtaining Exro Shareholder Approval, the Exro Board authorizes Exro, in accordance with the terms and conditions of the Merger Agreement, to enter into a definitive written agreement (other than an Acceptable Confidentiality Agreement) with respect to a Superior Proposal, provided that Exro pays the Exro Termination Fee; or
- the Merger has not been consummated on or before June 30, 2024 or the Exro Shareholder Approval has not been obtained at the Meeting or any adjournment or postponement thereof, so long as (A) prior to the termination, any person makes an Acquisition Proposal or amends an Acquisition Proposal made prior to the date of the Merger Agreement with respect to Exro, and (B) within twelve months after such termination Exro enters into a definitive agreement to consummate, or consummates any Acquisition Proposal; provided, however, that SEA shall not

be entitled to the payment of the Exro Termination Fee in relation to a termination under the preceding conditions where SEA's failure to fulfill in any material respect any of its obligations under this Merger Agreement has been the primary cause of, or the primary factor that resulted in, the failure of the Merger to be consummated by such date.

THE FINANCING

On February 16, 2024, Exro completed a bought deal private placement of 31,600,000 Subscription Receipts at a price of \$0.95 per Subscription Receipt (the "**Offering Price**") for aggregate gross proceeds of C\$30,020,000 (the "**Financing**") in accordance with the terms and conditions of the Underwriting Agreement. The Financing was led by Canaccord and Eight Capital as co-lead underwriters and joint bookrunners on behalf of a syndicate of underwriters that included NBF, ATB Securities Inc. and Stifel Nicolaus Canada Inc. (collectively, the "**Underwriters**").

Each Subscription Receipt shall entitle the holder to receive, without payment of additional consideration and without further action, one Exro Common Share (each, an "**Underlying Share**"), plus an amount per Underlying Share, if any, equal to the Dividend Equivalent Payment, net of any applicable withholding taxes. Each Subscription Receipt will automatically convert into an Underlying Share upon satisfaction of the Release Conditions prior to the Release Deadline. The Subscription Receipts will only convert into Underlying Shares pursuant to the foregoing automatic conversion mechanism and will not be convertible upon any act by the holder.

The gross proceeds from the sale of Subscription Receipts less the Underwriters' expenses incurred in connection with the Financing (the "**Escrowed Financing Proceeds**") were deposited into escrow with the Subscription Receipt Agent appointed in respect of the Subscription Receipts under the Subscription Receipt Agreement and will be invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), until the satisfaction of the Release Conditions and the Release Deadline.

The Escrowed Financing Proceeds and any interest thereon (the "**Escrowed Proceeds**") will be released from escrow upon the Release Event. Upon the occurrence of the Release Event, the Subscription Receipt Agent will deliver an amount: (i) representing 100% of the Underwriters' fees, and interest earned thereon, and additional expenses of the Underwriters to Canaccord, for and on behalf of the Underwriters, in accordance with the terms and conditions of the Underwriting Agreement; and (ii) the balance of the Escrowed Proceeds to Exro.

In the event that the Release Event does not occur on or before the Release Deadline, Exro shall forthwith deliver a notice to each of the Subscription Receipt holders and the Subscription Receipt Agent, and the Subscription Receipt Agent shall return, within three Business Days, to each such holder of Subscription Receipts, such holder's subscription funds for all Subscription Receipts held plus a pro rata share of interest actually earned thereon, less applicable withholding taxes, if any, all in the manner and on the terms and conditions set out in the Subscription Receipt Agreement. Exro shall be responsible for any shortfall in the Escrowed Proceeds payable to the holders of Subscription Receipts.

If a Termination Event occurs, at the Termination Payment Time, Exro shall forthwith deliver a notice to the Subscription Receipt Agent and Canaccord in writing and deliver to the Subscription Receipt Agent and shall promptly issue a press release, announcing the occurrence of the Termination Event, and the Subscription Receipt Agent shall return, within three Business Days, to each such holder of Subscription Receipts, such holder's subscription funds for all Subscription Receipts held plus a pro rata share of interest actually earned thereon, less applicable withholding taxes, if any.

In the event that the Release Event does not occur on or before the Release Deadline or a Termination Event occurs, Exro shall be responsible for any shortfall in the Escrowed Proceeds payable to the holders of Subscription Receipts.

On March 6, 2024, Exro filed the Exro Prospectus Supplement in each of the provinces and territories of Canada to qualify the distribution of 31,600,000 Underlying Shares, issuable for no additional

consideration upon the conversion of the Subscription Receipts issued pursuant to the Financing to purchasers resident in each of the provinces of Ontario, Alberta, British Columbia, Manitoba, New Brunswick and Nova Scotia and certain other jurisdictions outside of Canada on a private placement basis pursuant to prospectus and registration exemptions under applicable securities legislation. The Subscription Receipts are not available for purchase pursuant to the Prospectus Supplement and no additional proceeds will be received by Exro from the distribution of the Underlying Shares upon automatic conversion of the Subscription Receipts.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The balance sheet in the Pro Forma Financial Information gives effect to the Merger, SEA debt restructuring, and the related financings as if such had closed on September 30, 2023. The statements of net loss in the Pro Forma Financial Information for the nine months ended September 30, 2023, and for the year ended December 31, 2022, give effect to the Merger and the Financing as if such had closed on January 1, 2022.

The unaudited pro forma financial information should be read together with the Exro MD&A and the Exro Interim MD&A, each incorporated by reference herein, and information regarding SEA's financial conditions and operations in "*Appendix B – Information Concerning SEA*", and the historical financial statements and related notes included elsewhere in this Circular.

For a copy of the Pro Forma Financial Information, see "*Appendix F – Unaudited Pro Forma Financial Information*".

SECURITIES LAW MATTERS

Multilateral Instrument 61-101

As a reporting issuer in all provinces and territories of Canada, Exro is subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), which is intended to regulate certain transactions to ensure the protection and fair treatment of minority shareholders. In particular, MI 61-101 regulates transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

The Merger does not constitute an issuer bid, an insider bid, a related party transaction or a business combination. While Sue Ozdemir is considered a "related party" of Exro and the purchase of Subscription Receipts by a related party means that the Financing constitutes a "related party transaction" as such terms are defined in MI 61-101, Exro relied on exemptions from the formal valuation and minority shareholder approval requirements provided under sections 5.5(a) and 5.7(1)(a) of MI 61-101 on the basis that participation in the Offering by Ms. Ozdemir does not exceed 25% of the fair market value of the Corporation's market capitalization.

Canadian Continuous Disclosure Obligations

Upon the Closing, Exro will continue to be a reporting issuer in each province and territory of Canada and will continue to be subject to Canadian continuous disclosure and other reporting obligations under applicable Canadian Securities Laws. Exro expects that, following the Transaction, it will continue to be classified as a foreign private issuer.

Loss of Foreign Private Issuer Status

In the event Exro loses its foreign private issuer status as of June 30 of a given financial year, it may be required to become a reporting issuer with the United States Securities and Exchange Commission under the U.S. Exchange Act and comply with the U.S. domestic reporting regime thereunder, which could cause Exro to incur additional legal, accounting and other expenses.

In order to maintain status as a foreign private issuer, either (a) a majority of the voting shares of Exro must not be either directly or indirectly owned of record by residents of the U.S. or (b) (i) a majority of the executive officers and directors must not be U.S. citizens or residents, (ii) more than 50 percent of Exro's assets cannot be located in the U.S. and (iii) Exro's business must be administered principally outside the U.S.

There can be no assurance that Exro will remain a foreign private issuer either in 2024 or in future financial years.

If Exro loses its foreign private issuer status as of June 30 of any given financial year, it would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. Exro may also be required to make changes in its corporate governance practices in accordance with various SEC rules. The regulatory and compliance costs to Exro of complying with the reporting requirements applicable to a U.S. domestic issuer under U.S. securities laws may be higher than the cost incurred as a foreign private issuer. As a result, Exro would expect that a potential loss of foreign private issuer status at some future point in time could increase legal, financial reporting and accounting compliance costs, and it is difficult at this time to estimate by how much its legal, financial reporting and accounting compliance costs may increase in such eventuality.

AUDITORS, TRANSFER AGENT, AND REGISTRAR

The auditor of the Exro is PricewaterhouseCoopers LLP at its office in 111 – 5th Avenue S.W., Calgary, Alberta T2P 5L3. PricewaterhouseCoopers LLP were initially engaged as auditor of the Corporation on April 16, 2021. PricewaterhouseCoopers LLP has confirmed that it is independent of Exro within the meaning of the Rules of Professional Conduct with Guidance of the Chartered Professional Accountants of Alberta.

Exro's transfer agent and registrar is Odyssey Trust Company at its office in Calgary, Stock Exchange Tower, 1230 300 5 Ave SW, Calgary, AB T2P 3C4.

Following the Transaction, Exro expects to propose that PricewaterhouseCoopers LLP will continue to be the auditors of the Combined Company, and Odyssey will be the transfer agent and registrar for the Exro Common Shares in Canada.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN THE TRANSACTION

There is no material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of Exro at any time since the beginning of Exro's last financial year, and no material interest, direct or indirect, of any informed person or proposed director of Exro, or any associate or Affiliate of any of any informed person or proposed director, in any transaction since the commencement of Exro's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Exro or any of its Subsidiaries.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As of the date hereof, none of the proposed directors, officers or other members of management or promoters of Exro, nor any of their associates or Affiliates, is indebted to Exro, nor has any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Exro.

EXPERTS

The Exro Annual Financial Statements, together with the notes thereto, which are incorporated by reference into this Circular, have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, as indicated in their report dated March 30, 2023, which is also incorporated by reference in this Circular. PricewaterhouseCoopers LLP has confirmed that it is independent of Exro within the

meaning of the Rules of Professional Conduct with Guidance of the Chartered Professional Accountants of Alberta.

GENERAL INFORMATION FOR THE MEETING

Date, Time and Place of the Meeting

The Meeting will be held at 4200 Bankers Hall West 888 - 3rd Street S.W. Calgary, Alberta T2P 5C5 on Wednesday, April 4, 2024 at 11:00 a.m. (Mountain time).

If you are a registered Exro Shareholder at the close of business on the Record Date, you are entitled to receive notice of, and to attend and vote at the Meeting. You will be entitled to vote all of the Exro Common Shares that you held on the Record Date at the Meeting.

When Exro Common Shares are held jointly by two or more persons, those shares may be voted at the Meeting (either in person or by proxy) by any one of those holders, or, alternatively, by all such holders jointly. Each Exro Common Share is entitled to one vote.

How to Vote Prior to the Meeting

Before the Meeting, Exro Shareholders of record as of the close of business on the Record Date may vote in advance of the Meeting by completing the form of proxy or VIF in accordance with the instructions provided therein and summarized below.

Registered Shareholders

Voting by Proxy

You are a registered Exro Shareholder if your Exro Common Shares are registered in your name. To vote by proxy in advance of the Meeting, use the form of proxy that is provided to you with this Circular.

Ensure that your completed proxy is received by Odyssey no later than 11:00 a.m. (Mountain time) on April 2, 2024 or no later than 48 hours (excluding Saturdays, Sundays, and holidays) before the time set for the Meeting if it is adjourned or postponed, by one of the following methods (the "**Odyssey Contact Methods**"):

- By Fax:** 1-800-517-4553
- By Email:** proxy@odysseytrust.com
- By Internet:** <https://vote.odysseytrust.com>
- By Mail:** Odyssey Trust Company
Trader's Bank Building
702 67 Yonge Street Toronto, ON
M5E 1J8

If you specify how you want to vote on your proxy form, your proxyholder must vote in accordance with such instructions. All Exro Common Shares represented at the Meeting by properly executed proxies will be voted in accordance with the instructions of the Exro Shareholder on any ballot that may be called for.

In the absence of any instruction, the management appointees whose names appear on the printed form of proxy will vote your Exro Common Shares in favour of the matters to be acted on. If you appoint another proxyholder and do not indicate how you want to vote, that proxyholder will decide how to vote your Exro Common Shares. See "*How to Appoint A Proxyholder*" below.

Revoking Your Proxy

You may revoke your proxy at any time before it is acted on. To revoke your proxy, deliver a written statement revoking your proxy to Odyssey Trust Company, Attention: Proxy Department, Trader's Bank Building, 702 67 Yonge Street, Toronto, ON M5E 1J8, or by email at proxy@odysseytrust.com on or before April 3, 2024 (or the last Business Day before the Meeting if it is adjourned or postponed). Or, if you use your control number to log in to the Meeting, any vote you cast at the Meeting will revoke any proxy you previously submitted.

Beneficial Shareholders

Voting by Proxy

You are a Beneficial Shareholder if you beneficially own Exro Common Shares that are held in the name of an intermediary, such as a bank, trust company, securities dealer or broker, trustee or administrator of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan or similar plan. In many cases, Exro Common Shares owned by a Beneficial Shareholder are registered either in the name of an intermediary that the Beneficial Shareholder deals with, or in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the intermediary is a participant. Each intermediary has its own process, so be sure to carefully follow the instructions on your VIF.

To vote by proxy in advance of the Meeting, use the VIF that is provided to you with this Circular. Complete the VIF by following the instructions therein. You can send your voting instructions by mail, email, facsimile or on the internet. If you have voted on the VIF, you may not vote at the Meeting unless you properly revoke your voting instructions.

Exro Common Shares registered in the names of intermediaries can only be voted by those intermediaries at the direction of the Beneficial Shareholders who beneficially own the shares. Without specific instructions, intermediaries are prohibited from voting shares for an intermediary's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Exro Common Shares are communicated to the appropriate person well in advance of the Meeting.

Revoking Your Voting Instructions

You may revoke your voting instructions before they are acted on. Follow the procedures provided by your intermediary or service provider.

How to Vote In Person at the Meeting

If you are a registered Exro Shareholder and you plan to attend the Meeting and vote your Exro Common Shares in person, do not complete the enclosed form of proxy. When you arrive at the Meeting, register with Exro's transfer agent, Odyssey, and your vote at the Meeting will be counted.

If you are a Beneficial Shareholder and you plan to attend the Meeting and vote your Exro Common Shares in person as proxyholder for the registered holder of your Exro Common Shares, you have to insert your own name in the space provided on the VIF sent to you by your intermediary, follow all of the applicable instructions provided by your intermediary, AND register yourself as your proxyholder with Odyssey, as described below. When you arrive at the Meeting register with Exro's transfer agent, Odyssey, and your vote at the Meeting will be counted, provided the proxy is in good order.

How to Appoint a Proxyholder

The people named in the form of proxy and VIF are directors and officers of Exro. **You have the right to appoint a person other than the persons designated in the form of proxy and VIF, as applicable, to represent you at the Meeting.**

Exro Shareholders who wish to appoint a third-party proxyholder other than the named Exro proxy nominees to represent them at the Meeting must submit their form of proxy or VIF (as applicable) appointing that third party proxyholder.

If you are a Beneficial Shareholder and wish to attend the Meeting and vote on behalf of yourself, you have to insert your own name in the space provided on the VIF sent to you by your intermediary, follow all of the applicable instructions provided by your intermediary.

Beneficial Shareholders who have not duly appointed themselves as proxyholders will not be able to vote at the Meeting but will be able to participate as guests.

Voting Questions

Should you have any questions about how to attend and vote at the Meeting, please contact Odyssey directly using one of the Odyssey Contact Methods.

Purpose of the Meeting

The Meeting is being held so that Exro Shareholders may consider the Share Issuance Resolution, the full text of which is set out in "*Appendix A – Share Issuance Resolution*", approving (i) the issuance of up to 398,549,647 Aggregate Exro Common Shares and Additional Exro Common Shares, and (ii) the issuance of 31,600,000 Underlying Shares on conversion of the Subscription Receipts pursuant to the terms of the Subscription Receipt Agreement.

The Transaction cannot close without Exro Shareholders approving the Share Issuance Resolution.

Share Issuance Resolution

Under section 611(c) of the TSX Company Manual, security holder approval is required if the number of securities issued or issuable by a listed issuer in payment of the purchase price for an acquisition, exceeds 25% of the number of securities of the listed issuer which are outstanding, on a pre-acquisition, non-diluted basis. Under the terms of the Merger Agreement, Exro has agreed to issue 31.46 Exro Common Shares and 34.50 Exro Convertible Preferred Shares in exchange for each share of SEA Stock issued and outstanding immediately prior to the Effective Time, other than the Excluded Shares.

Issuances by SEA of shares of SEA Stock are restricted under the terms of the Merger Agreement, subject to certain limited exceptions or the prior written consent of Exro. As a result, the actual number of Exro Common Shares that will be issued at the Effective Time will depend on the number of SEA Stock outstanding at such time, although such amount of SEA Stock outstanding is not expected to change prior to Closing. The number of Exro Common Shares to be issued or made issuable pursuant to the Merger Agreement and the Restructuring Agreement will not exceed the sum of the Aggregate Exro Common Shares and the Additional Exro Common Shares. For information regarding restrictions on issuances of SEA Stock, see the section entitled "*The Merger Agreement – Conduct of Business Pending the Transaction*".

In addition, under section 611(g) of the TSX Company Manual, in calculating the number of securities issued or issuable in payment of the purchase price for an acquisition, any securities issued or issuable upon a concurrent private placement upon which the acquisition is contingent or otherwise linked will be included. Accordingly, as the Financing is a concurrent private placement upon which the Acquisition is contingent, the issuance of the Underlying Shares on conversion of the Subscription Receipts sold under the Financing must also be approved by Exro Shareholders at the Meeting.

At the Meeting, Exro Shareholders will be asked to consider the Share Issuance Resolution, the full text of which is set out in "*Appendix A – Share Issuance Resolution*", approving the issuance of the 398,549,647 Aggregate Exro Common Shares, the 10,000,000 Additional Exro Common Shares and the 31,600,000 Underlying Shares. Approval of the Share Issuance Resolution requires the affirmative vote of a majority of the votes cast in respect of the resolution by Exro Shareholders present in person or

represented by proxy at the Meeting. Accordingly, the TSX requires that the Share Issuance Resolution be approved by an ordinary resolution of Exro Shareholders, being a majority of the votes cast by holders of outstanding Exro Common Shares represented in person or by proxy and entitled to vote at the Meeting. Exro will not be able to satisfy the Standard Listing Requirements unless the Share Issuance Resolution is approved. In accordance with the terms of the Merger Agreement, it is a condition to the Closing that the Share Issuance Resolution be approved by the Exro Shareholders.

For an overview of the Aggregate Exro Common Shares to be issued or made issuable pursuant to the Merger Agreement and the Restructuring Agreement, see the table including in the sectioned entitled "*The Transaction – Aggregate Exro Common Shares*".

The Aggregate Exro Common Shares, Additional Exro Common Shares and the Underlying Shares shall continue to be subject to restrictions on the subsequent sale, transfer or other disposition thereof imposed by (i) any applicable Canadian Securities Laws, and (ii) other holds and escrow requirements as may be imposed on certain holders thereof under other applicable Law, rules, regulations and stock exchange requirements.

As of the Record Date, SEA had 2,968,202 shares of SEA Common Stock, 1,376,117 shares of SEA Preferred Stock, 432,807 SEA RSUs, 200,004 SEA Warrants and 61,942 SEA Options issued and outstanding. Of the issued and outstanding shares of SEA Preferred Stock, 124,380 shares are currently held by Exro and will not be converted to Exro Common Shares or Exro Preferred Shares at Closing. The remaining 1,251,737 shares in SEA Preferred Stock and 198,466 vested SEA RSUs are expected to convert to SEA Common Stock at Closing.

Immediately prior to Closing, 236,573 shares in SEA Common Stock are expected to be issued on the conversion of certain SEA convertible notes. At Closing, there are expected to be 4,654,978 shares in SEA Common Stock to be converted to Exro Common Shares or Exro Preferred Shares, at 31.46 Exro Common Shares and 34.50 Exro Preferred Shares to 1.00 share in SEA Common Stock. Further, 234,340 SEA RSUs, 200,004 SEA Warrants and 61,942 SEA Options are expected to be outstanding, which will convert to Exro RSUs, Exro Replacement Warrants and Exro Options, respectively, at the Exchange Ratio.

On the above basis, Exro expects 146,459,489 Exro Common Shares may be issued under the Merger Agreement as partial satisfaction of the Merger Consideration to holders of shares of SEA Common Stock, representing approximately 46.3% of the issued and outstanding Exro Common Shares on a non-diluted basis after giving effect to the Transaction, but prior to any impacts of the Financing or issuance of the Additional Exro Common Shares.

Based on current information available to Exro, no current SEA Stockholder will immediately following the Transaction beneficially own, or exercise control or direction over, 10% or more of the outstanding Exro Common Shares, and the Transaction will not materially affect control of Exro, other than Warren Fairweather who, following Closing, is expected to beneficially own, or exercise control or direction over approximately 11.37% of the outstanding Exro Common Shares on an undiluted basis, and 8.54% on a fully diluted basis.

The Exro Board recommends that Exro Shareholders vote FOR the Share Issuance Resolution. Unless otherwise specified in your proxy, the persons named in your proxy intend to vote FOR the Share Issuance Resolution.

Record Date and Exro Shareholders Entitled to Vote

The Exro Board has fixed February 20, 2024 as the Record Date for the Meeting. Exro Shareholders of record as at the close of business on February 20, 2024 are entitled to notice of the Meeting and vote their Exro Common Shares thereat or at any adjournment or postponement thereof.

Quorum

A quorum for the transaction of business at the Meeting is the number of shareholders who, in the aggregate, hold at least 5% of the outstanding Exro Common Shares entitled to be voted at the Meeting present in person or by proxy, irrespective of the number of persons actually present at the Meeting.

If a quorum is not present or if there are not sufficient votes for the approval of the Share Issuance Resolution, Exro expects that the Meeting will be adjourned or postponed to solicit additional proxies. At any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the manner in which such proxies would have been voted at the original convening of the Meeting, except for any proxies that have been validly revoked or withdrawn prior to the subsequent meeting. See the section entitled "*General Information for the Meeting – Adjournment or Postponement*".

Required Vote

The Transaction cannot close without Exro Shareholders approving the Share Issuance Resolution. Approval of the Share Issuance Resolution requires the affirmative vote of a majority of the votes cast in respect of the resolution by Exro Shareholders present in person or represented by proxy at the Meeting.

Voting by Directors and Executive Officers

As of the Record Date, the current Exro directors and executive officers beneficially owned approximately 566,353 Exro Common Shares then outstanding and entitled to vote at the Meeting.

All of the directors and executive officers of Exro as at January 29, 2024, the date on which the Merger Agreement was signed, have entered into the Exro Voting Agreements pursuant to which they have agreed, among other things, to vote their Exro Common Shares FOR the Share Issuance Resolution at the Meeting.

Adjournment or Postponement

The Merger Agreement provides that Exro may postpone or adjourn the Meeting solely (i) with the consent of SEA; (ii) (A) due to the absence of a quorum, or (B) if Exro has not received proxies representing a sufficient number of shares for Exro Shareholder Approval, whether or not a quorum is present, to solicit additional proxies; or (iii) to allow reasonable additional time for the filing and mailing of any supplemental or amended disclosure which the Exro Board has determined in good faith after consultation with outside legal counsel is necessary under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by Exro Shareholders prior to the Meeting. However, Exro may not postpone or adjourn the Meeting more than a total of two times due to absence of quorum or insufficiency of proxies.

Notwithstanding the preceding paragraph, the Merger Agreement further provides that, at SEA's request and to the extent permitted by Law, Exro shall adjourn the Meeting to a date specified by SEA for the absence of a quorum or if Exro has not received proxies representing a sufficient number of shares for the Exro Shareholder Approval. However, Exro will not be required to adjourn the Meeting more than one time pursuant to this sentence, and no such adjournment will be required to be for a period exceeding 10 Business Days.

At any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the manner in which such proxies would have been voted at the original convening of the Meeting, except for any proxies that have been validly revoked or withdrawn prior to the subsequent meeting. See the section entitled "*General Information for the Meeting – Appointment and Revocation of Proxies*".

Solicitation of Proxies

This Circular is provided in connection with the solicitation of proxies by or on behalf of the Exro Board and Exro management for use at the Meeting, and at any adjournment or postponement thereof, for the purposes set forth in the Meeting. The Exro Board and Exro management are

soliciting proxies of all registered Exro Shareholders and Beneficial Shareholders primarily by mail and electronic means, supplemented by telephone or other contact by directors, officers, employees or agents of Exro. Carson Proxy Advisors ("**Carson Proxy**") has been retained to provide strategic advice with respect to the Meeting and to assist with the solicitation of proxies. The cost of Carson Proxy's proxy solicitation services is approximately \$40,000 in addition to reasonable out-of-pocket expenses. The solicitation of proxies is being made by, or on behalf of, the management and directors of the Corporation, and the total cost of the solicitation will be borne by Exro.

The Corporation may utilize the Broadridge QuickVote service to assist Shareholders with voting their Restricted Voting Shares. Certain beneficial Shareholders may be contacted by Carson Proxy Advisors to conveniently obtain a vote directly over the phone. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Restricted Voting Shares to be represented at the Meeting.

How to Vote

You can vote by proxy ahead of the Exro Special Meeting using all of the voting channels that have been available in the past.

You can vote in person during the Exro Special Meeting by following the instructions below. The voting process is different for registered or Beneficial Shareholders:

- You are a registered Exro Shareholder if your name appears on your share certificate or a DRS statement registered in your name. If you are a registered Exro Shareholder and you plan to attend the Meeting and vote your Exro Common Shares in person, do not complete the enclosed form of proxy. When you arrive at the Meeting register with Exro's transfer agent, Odyssey, and your vote at the Meeting will be counted.
- You are a Beneficial Shareholder if your Exro Common Shares are registered in the name of your nominee (trustee, financial institution or securities broker). **Non-registered (beneficial) Exro Shareholders must appoint themselves as proxyholder in order to vote at the Meeting. This is because Exro and its transfer agent do not have a record of the Beneficial Shareholders, and, as a result, will have no knowledge of your shareholdings or entitlement to vote unless you appoint yourself as proxyholder.** When you arrive at the Meeting register with Exro's transfer agent, Odyssey, and your vote at the Meeting will be counted, provided the proxy is in good order.

Canadian nominees (and their agents or nominees) can only vote their Exro Common Shares if they have received voting instructions.

Appointment and Revocation of Proxies

Each of the persons named in the accompanying form of proxy or VIF is a director or an executive officer of Exro. **An Exro Shareholder who wishes to appoint some other person (who is not required to be an Exro Shareholder) as his or her representative at the Meeting may do so either by inserting such person's name in the blank space provided in the form of proxy and deleting the names printed thereon or by completing a proper proxy.**

A proxy will not be valid for the Meeting or any adjournment or postponement thereof unless it is signed by the Exro Shareholder or by the Exro Shareholder's attorney authorized in writing or, if the Exro Shareholder is a corporation, it must be executed under corporate seal or by a duly authorized officer or attorney of the corporation and delivered to Odyssey at any time before 11:00 a.m. (Mountain time) on April 2, 2024 or not less than 48 hours (excluding Saturdays, Sundays, and holidays) prior to the time fixed for the holding of any adjournment or postponement of the Meeting. The time limit for the deposit of proxies may be waived or extended by the Chair of the Meeting at his or her sole discretion without notice. Late proxies may be accepted or rejected by the Chair of the Meeting at his or her sole discretion without notice.

Exro reminds Exro Shareholders that only the most recently dated voting instructions will be counted and any prior dated instructions will be disregarded. Registered Exro Shareholders can vote on the internet, 24 hours a day, seven days a week at <https://vote.odysseytrust.com>. You will need your control number (found on your form of proxy). Or complete the enclosed proxy form, sign and date it and mail it in the envelope provided. For Beneficial Shareholders, your VIF explains the methods for voting. Carefully follow the instructions provided by your nominee because each nominee has its own procedures. Make sure you allow enough time for your nominee to receive the voting instructions if you're mailing the form.

You or your authorized attorney must sign the proxy for it to be valid. If the Exro Common Shares are held by a corporation, the form must be signed by an authorized officer or representative. To appoint someone other than the Exro representatives to be your proxyholder and vote your Exro Common Shares at the Meeting, you may do so by mail, facsimile, email or on the internet only.

Your control number for the Meeting will be located on the proxy form or received via email. Follow the instructions above to access the Meeting and cast your ballot online during the designated time.

You may revoke your proxy at any time before it is acted on. To revoke your proxy, deliver a written statement revoking your proxy to Odyssey no later 11:00 a.m. on April 3, 2024 (or the last Business Day before the Meeting if it is adjourned or postponed). Or, if you use your control number to log in to the Meeting, any vote you cast at the Meeting will revoke any proxy you previously submitted.

If you are a Beneficial Shareholder and you are submitting a new VIF, make sure you allow enough time for the new form to be delivered to your nominee and for them to act on your instructions. If you have any questions, please contact your nominee directly.

Registered Exro Shareholders can also revoke their previous instructions by sending a notice in writing from themselves or their authorized attorney (or a duly authorized officer or attorney if the shareholder is a corporation directed to: Odyssey Trust Company, Attention: Proxy Department, Trader's Bank Building, 702 67 Yonge Street, Toronto, ON M5E 1J8, or by email at proxy@odysseytrust.com on or before 11:00 a.m. (Mountain time) on April 3, 2024 (or the last Business Day before the Meeting if it is adjourned or postponed). Attending and voting in person at Meeting will revoke your previous proxy.

Advice to Beneficial Shareholders of Exro Common Shares

The information set forth in this section is of significant importance to many Exro Shareholders, as a substantial number of Exro Shareholders do not hold Exro Common Shares in their own name. Beneficial Shareholders should note that only proxies deposited by Exro Shareholders whose names appear on the records of Exro as the registered holder of Exro Common Shares can be recognized and acted upon at the Meeting. If Exro Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those Exro Common Shares will not be registered in the Exro Shareholder's name on the records of Exro. Such Exro Common Shares will more likely be registered under the name of the Exro Shareholder's broker or an agent of that broker. In Canada, the majority of Exro Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). In the U.S., the majority of Exro Common Shares are registered under the name Cede & Co. (the registration name for Cede and Company, which acts as nominee for many U.S. brokerage firms). Exro Common Shares held by brokers, or their agents or nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and other intermediaries are prohibited from voting Exro Common Shares for their clients. **Therefore, Beneficial Shareholders should ensure that the instructions regarding the voting of their Exro Common Shares are communicated to the appropriate person on a timely basis.**

Applicable regulatory policy in Canada and the U.S. requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Exro Common Shares are voted at the Exro Special Meeting. In some cases, the VIF provided to Beneficial

Shareholders by their broker or other intermediary is very similar, even identical, to the form of proxy provided to registered Exro Shareholders. However, its purpose is limited to instructing the registered Exro Shareholder (the broker or other intermediary, or an agent thereof) on how to vote on behalf of the Beneficial Shareholder. Most brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge. Broadridge typically prepares a machine-readable VIF which is mailed to Beneficial Shareholders with a request that Beneficial Shareholders return the forms to Broadridge or follow specified internet based voting procedures. Broadridge then tabulates the results of the voting instructions received and provides appropriate instructions regarding the voting of Exro Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a VIF from Broadridge cannot use that form to vote Exro Common Shares directly at the Meeting. The VIF must be returned to Broadridge or voting instructions communicated to Broadridge well in advance of the Meeting in order to have such Exro Common Shares voted at the Meeting.**

If you are a Beneficial Shareholder in the U.S., to attend and vote at the Meeting, you must first obtain a valid legal proxy from your broker, bank or other agent and then register in advance to attend the Meeting. You should follow the instructions from your broker, bank or other agent included with this Circular, or contact your broker, bank or other agent to request a legal proxy form. After first obtaining a valid legal proxy from your broker, bank or other agent, to then register to attend the Meeting, you must submit a copy of your legal proxy to Odyssey. Requests for registration should be directed to: Odyssey Trust Company, Attention: Proxy Department, Trader's Bank Building, 702 67 Yonge Street, Toronto, ON M5E 1J8, or by email at proxy@odysseytrust.com.

Requests for registration must be labeled as "Legal Proxy" and be received no later than before 11:00 a.m. (Mountain time) on April 2, 2024 or not less than 48 hours (excluding Saturdays, Sundays, and holidays) prior to the time fixed for holding the Meeting (or any adjournment or postponement thereof). You will receive a confirmation of their registration by email after Odyssey receives your registration materials.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Exro Common Shares registered in the name of his or her broker or other intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Exro Shareholder and vote the Exro Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Exro Common Shares must do so as proxyholder for the registered Exro Shareholder. They should contact their broker, agent or other intermediary well in advance of the Meeting.**

Notice-and-Access

Exro is not using notice-and access to send its proxy-related materials to Exro Shareholders, and paper copies of such materials will be sent to all Exro Shareholders, including Beneficial Shareholders.

Voting of Proxies

All Exro Common Shares represented at the Meeting by a properly executed proxy will be voted on any ballot that may be called for, and where a choice with respect to any matter to be acted upon has been specified in the proxy, the Exro Common Shares represented by the proxy will be voted or withheld from voting in accordance with such specification. **In the absence of any such specification or instruction, the persons whose names appear on the form of proxy, if named as proxies, will vote in favour of the Share Issuance Resolution.**

The enclosed proxy form confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Special Meeting and any other matters which may properly be brought before the Meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by Law, whether or not the amendment, variation, or other matter that comes before the Meeting is contested. As of the date hereof, management of Exro is not aware of any amendments, variations or other matters to be presented for action at the Meeting. If, however, amendments, variations or other matters properly be

brought before the Meeting, the persons designated in the form of proxy will vote thereon in accordance with their judgment under the discretionary authority conferred by such proxy with respect to such matters.

Voting Shares and Principal Holders

The Exro Board has fixed February 20, 2024 as the Record Date. If you held Exro Common Shares as at the close of business on February 20, 2024 you are entitled to receive notice of and vote your Exro Common Shares at the Meeting on April 4, 2024, or at a reconvened meeting if the Meeting is postponed or adjourned. Each Exro Common Share carries one vote on each item to be voted on at the Meeting. As of the Record Date, there were 170,121,819 Exro Common Shares issued and outstanding. To the knowledge of the Exro Board and of the executive officers of Exro, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of Exro.

OTHER BUSINESS

The Exro Board and management are not aware of any other business to come before the Meeting other than the matters referred to in the Notice of Special Meeting. However, if any other matter is properly brought or comes before the Meeting, the accompanying form of proxy confers discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of Special Meeting and with respect to other matters that may properly be brought before the Meeting.

ADDITIONAL INFORMATION

Additional information relating to Exro is available on SEDAR+ at www.sedarplus.com and on Exro's website at www.exro.com. The information contained on Exro's website is not incorporated by reference in, or in any way part of, this Circular. You should not rely on such information in deciding whether to approve the Share Issuance Resolution unless such information is in this Circular or has been incorporated by reference in this Circular.

Financial information relating to Exro is included in the Exro Annual Financial Statements, the Exro MD&A, the Exro Interim Financial Statements and the Exro Interim MD&A, copies of which are filed on SEDAR+ and can also be obtained upon written request delivered to the Corporate Secretary of the Corporation at 12 – 21 Highfield Circle SE, Calgary, AB T2G 5N6. Upon request, Exro will promptly provide a copy of any document expressly incorporated by reference in this Circular to a securityholder of Exro free of charge.

APPROVAL

The contents and the sending of this Circular have been approved by the Exro Board.

DATED this 6th day of March, 2024.

**BY ORDER OF THE BOARD OF DIRECTORS OF
EXRO TECHNOLOGIES INC.**

(Signed) "Rodney Copes"

Name: Rodney Copes

Title: Chairman

CONSENT OF NATIONAL BANK FINANCIAL – FAIRNESS OPINION

To: The Board of Directors of Exro Technologies Inc. (the “**Board**”) and the Special Committee of the Board (the “**Special Committee**”)

We refer to the full text of the written fairness opinion dated as of January 29, 2024 (the “**Fairness Opinion**”), which we prepared for the benefit and use of the Special Committee and the Board of Exro Technologies Inc. (“**Exro**”), in connection with the Transaction involving Exro and SEA Electric Inc. (as described in Exro's management information circular dated March 6, 2024 (the “**Circular**”)).

We hereby consent to the inclusion of the full text of the Fairness Opinion as “*Appendix E – Fairness Opinion*” attached to this Circular, and reference to our firm name and the Fairness Opinion in the Circular.

Our fairness opinion was given as of January 29, 2024 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the board of directors of Exro may or will be entitled to rely upon the Fairness Opinion.

(Signed) “*National Bank Finance*”

March 6, 2024

APPENDIX A
SHARE ISSUANCE RESOLUTION

"RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The issuance by Exro Technologies Inc. ("**Exro**") of:
 - a. up to an aggregate of 398,549,647 common shares in the capital of Exro (the "**Common Shares**") made issuable pursuant to and in accordance with the terms of the agreement and plan of merger dated as of January 29, 2024, as amended on March 1, 2024 and March 6, 2024 (the "**Merger Agreement**") by and among Exro, eTruck VCU Acquisition Inc., an indirect wholly-owned subsidiary of Exro, and SEA Electric Inc. ("**SEA**"), comprising of: (A) (i) 307,055,837 Common Shares (including 160,596,348 Common Shares issuable on conversion of the 160,596,348 Series 1 preferred shares in the capital of Exro ("**Preferred Shares**")); (ii) up to an aggregate of 4,085,873 Common Shares (including 2,136,993 Common Shares issuable on conversion of 2,136,993 Preferred Shares) issuable on exercise of options to purchase Common Shares and Preferred Shares issued to certain stockholders of SEA ("**SEA Stockholders**"); (iii) up to an aggregate of 15,457,743 Common Shares (including 8,084,710 Common Shares issuable on conversion of 8,084,710 Preferred Shares) issuable in the form of restricted share units granted to certain SEA Stockholders; (iv) up to an aggregate of 13,192,843 Common Shares issuable on exercise of warrants granted to certain SEA Stockholders; (B) an additional 58,757,351 Common Shares issued upon the optional conversion of the up to US\$52.0 of the convertible promissory notes issued pursuant to the terms of the restructuring agreement dated January 18, 2024 between Exro, SEA and the lenders thereto (all such shares being the "**Consideration Shares**");
 - b. up to an additional 10,000,000 Common Shares that may be issuable to accommodate for the effects of rounding, changes in foreign exchange rates or other issuances in connection with the transactions proposed under the Merger Agreement (the "**Additional Common Shares**"); and
 - c. 31,600,000 Common Shares (the "**Underlying Shares**", and together with the Consideration Shares and the Additional Common Shares, the "**Issued Shares**") issuable on conversion of 31,600,000 subscription receipts of Exro (the "**Subscription Receipts**") in accordance with the terms of the subscription receipt agreement dated February 16, 2024 between Exro, Canaccord Genuity Corp. and Odyssey Trust Company entered into pursuant to a bought deal private placement of Subscription Receipts,

all in connection with the indirect acquisition of all of the issued and outstanding shares of common stock and shares of preferred stock of SEA by Exro, as more fully described in the information circular of Exro dated March 6, 2024, is hereby authorized and approved.

2. The Issued Shares will, when issued in accordance with their terms and if applicable, subject to receipt of consideration in full for them, be validly issued as fully paid and non-assessable common shares in the capital of Exro and Series 1 preferred shares in the capital of Exro, as applicable, and, where applicable, the registrar and transfer agent of the Common Shares and the Preferred Shares from time to time is hereby authorized upon receipt of a direction from any one director or officer of Exro to countersign and deliver certificates, or other evidence of issuance, in respect of the Issued Shares.
3. The Merger Agreement, the actions of the directors of Exro in approving the Merger Agreement and the actions of the directors and officers of Exro in executing and delivering the Merger Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.

4. Notwithstanding that this ordinary resolution has been duly passed by the shareholders of Exro, the directors of Exro are hereby authorized and empowered, in their sole discretion, without further notice to, or approval of, the shareholders of Exro (i) to amend the Merger Agreement, to the extent permitted thereby, and (ii) subject to the terms of the Merger Agreement, to not proceed with the transactions contemplated by the Merger Agreement or otherwise give effect to these resolutions.
5. Any one director or officer of Exro be and is hereby authorized and directed to execute and deliver for and in the name of and on behalf of Exro all such certificates, instruments, agreements, documents and notices and to do all such other acts and things as in such person's opinion may be necessary or desirable for the purpose of giving effect to these resolutions."

**APPENDIX B
INFORMATION CONCERNING SEA**

See attached.

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In this Appendix B, references to “SEA”, “SEA Electric”, “SEA Electric Inc.” or the “Company” and to first-person pronouns, such as “we”, “our” and “us”, refer to SEA Electric Inc., its subsidiaries and its affiliates, unless the context otherwise requires. The SEA financial statements related to the “*Management Discussion and Analysis*” section of this Appendix B are included herein in the Schedule “A” to this Appendix B.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Appendix B constitute forward-looking statements or forward-looking information under applicable securities laws. Forward-looking statements or forward-looking information are often, but not always, identified by the use of words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “plan”, “predict”, “project”, “should”, “target”, “will”, or similar words suggesting future outcomes or language suggesting an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements or forward-looking information. Management of SEA believes the expectations reflected in those forward-looking statements or forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements or forward-looking information included in this Appendix B should not be unduly relied upon.

Forward-looking statements and forward-looking information in this Appendix B include, but are not limited to:

- the anticipated timing and closing of the Transaction;
- the anticipated benefits of the Transaction, including the impact of the Transaction on SEA's operations, financial condition, cash flows and overall strategy;
- the implementation of operational improvements and cost savings initiatives following the completion of the Transaction;
- SEA's existing investments, statements or information concerning SEA's growth, acquisition and investment strategy, including but not limited to future objectives, visions and strategies;
- SEA's future performance and business prospects and opportunities;
- expectations regarding revenue, expenses and operations;
- anticipated cash needs and needs for additional financing;
- ongoing development and success of R&D initiatives;
- estimates of the ability of SEA's facilities to satisfy future demand;
- expectations with respect to intellectual property and any corresponding impact on SEA;
- expectations with respect to the implementation of governance mandates and policies;
- expectations with respect to SEA's competitive position in the segment it operates in;
- expectations with respect to competitor's strategies and future position in the market;
- view of the anticipated trends and challenges in SEA's business and the markets in which it operates, whether in relation to SEA, its customers, or its partners, including but not limited to global conditions, global financial markets, general economic conditions (including inflationary factors and interest rates), and supply change constraints;

- certain statements with respect to current and future risks affecting SEA;
- statements with respect to SEA after giving effect to the Transaction; and
- expectations regarding the shareholding and governance structure of the resulting corporation following completion of the Transaction.

Although SEA believes that the assumptions and expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such assumptions and expectations will prove to be correct. SEA cannot guarantee future results, levels of activity, the occurrence of certain events, performance or achievements. Consequently, there is no representation by SEA that actual results achieved will be the same in whole or in part as those suggested by the forward-looking statements or forward-looking information. The factors or assumptions on which the forward-looking statements and forward-looking information are based include, but are not limited to:

- successful completion of the Transaction, including but not limited to SEA's ability to obtain the anticipated benefits therefrom;
- the accuracy of forward-looking operational and financial information and estimates provided by Exro;
- SEA's ability to integrate with Exro;
- SEA's anticipated cash needs and SEA's need for additional financing;
- SEA's ability to attract and retain strategic partners;
- SEA's ability to generate product sales and service revenue;
- SEA's ability to protect, maintain and enforce intangible property rights;
- SEA's ability to deliver its technology and services at expected volumes for expected prices;
- SEA's ability to control costs;
- SEA's ability to attract and retain skilled personnel;
- SEA's market demand for its technology;
- SEA's competitive position and expectations regarding competition, including but not limited to what SEA will need to do to successfully compete going forward;
- intensifying competition in the clean technology and commercial electric vehicle market and possible results of such competition;
- the introduction of new products;
- SEA's plans regarding its revenue, expenses and operations;
- the successful execution of SEA's business plan;
- the ability to commercialize SEA's technology;

- SEA's ability to execute its research and development initiatives generally and specifically on the estimated timelines;
- the availability and cost of raw materials, labour and supplies;
- the availability of additional capital;
- currency, exchange and interest rates;
- anticipated trends and challenges in SEA's business and the markets in which SEA operates; and
- global economic and financial market conditions.

Some of the risks and other factors, some of which are beyond SEA's control, which could cause results to differ materially from those expressed in the forward-looking statements and forward-looking information contained in this Appendix B include, but are not limited to:

- failure to complete the Transaction in all material respects in accordance with the Merger Agreement;
- failure to obtain, in a timely manner, regulatory, stock exchange and other required approvals or satisfy other conditions in connection with the Transaction;
- failure to realize the anticipated benefits of the Transaction;
- unforeseen difficulties in integrating into Exro pursuant to the Transaction;
- unexpected costs or liabilities related to the Transaction;
- the inaccuracy of information provided by Exro in respect of the Transaction;
- the inaccuracy of financial and operational projections;
- the inaccuracy of pro forma information with respect to SEA's business, financial condition, cash flows and operations after giving effect to the Transaction;
- increased litigation or negative public perception as a result of the Transaction;
- increased indebtedness;
- the anticipated effect of the Transaction on the consolidated capitalization of Exro following the completion of the Transaction;
- increased exposure to risks relating to foreign exchange rates;
- the condition of the global economy, including trade, public health and other geopolitical risks;
- SEA's technology may not prove useful in some of the applications in which SEA envisages it being applied;
- the rate of mass adoption of products using SEA's technology;
- changes in technology or service pricing or cost;

- changes in SEA's customers' and partners' requirements, the competitive environment and/or related market conditions;
- the relative strength of the value proposition that SEA offers its customers and partners with SEA's technology and services;
- changes in the technology of SEA's customers and partners, as well as changes in competitive technologies;
- challenges or delays in SEA's technology and product development activities;
- changes in interest rates;
- disruption to the credit markets and delays in obtaining financing;
- inflationary pressures;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in the United States and Canada, or other countries in which SEA may carry on business;
- business opportunities that may be presented to, or pursued by SEA;
- operating or technical difficulties in connection with business activities;
- the possibility of cost overruns or unanticipated expenses;
- employee relations;
- the risks of obtaining and renewing necessary licenses and permits;
- the occurrence of natural disasters, hostilities, acts of war or terrorism;
- changes in the availability or price of raw materials, labour and supplies;
- SEA's ability to attract and retain business partners, suppliers, employees and customers;
- changing government or environmental regulations, including subsidies or incentives associated with the adoption of clean energy power systems;
- potential fluctuations in SEA's financial and business results make forecasting difficult and may restrict SEA's access to funding for SEA's commercialization plan;
- SEA is subject to risks inherent in international operations;
- SEA's access to funding and SEA's ability to provide the capital required for research and development, operations, marketing efforts and working capital requirements;
- SEA's ability to protect its intellectual property;
- SEA's ability to extract value from strategic partnerships;
- currency fluctuations;

- potential merger and acquisition activities, including risks related to integration, loss of key personnel, disruptions to operations, costs of integration, and the integration failing to achieve the expected benefits of the transaction; and
- other factors described further in “*Risk Factors*” in this Appendix B and under the headings “*Cautionary Statement Regarding Forward-Looking Statements*” and “*Risk Factors*” in the Circular and “*Appendix D – Information Concerning the Combined Company*” and “*Appendix F – Unaudited Pro Forma Financial Information*”.

Readers are cautioned that the foregoing lists are not exhaustive. The factors and risks set out in these lists are difficult to predict and the assumptions used in the development of the forward-looking statements and forward-looking information contained herein, although considered reasonably accurate at the time of development, may prove to be incorrect or incomplete. Furthermore, the forward-looking statements and information contained in this Appendix B are made as of the date of the Circular, and SEA undertakes no obligation, except as required by applicable securities laws, to update publicly or to revise any of the included forward-looking statements and forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking statements and forward-looking information contained herein are expressly qualified by this cautionary statement.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this Appendix B of the Circular was obtained from third-party sources and industry reports and publications, websites and other publicly available information, as well as industry and other data prepared by SEA or on its behalf on the basis of management’s knowledge of the markets in which it operates, including information provided by suppliers, partners, customers and other industry participants.

SEA believes that the market and industry data presented throughout this Circular is accurate and, with respect to data prepared by SEA or on its behalf, that SEA’s management’s estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and industry data presented throughout this Appendix B are not guaranteed and SEA does not make any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although SEA believes it to be reliable, SEA has not independently verified any of the data from third-party sources referred to in this Circular, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. In addition, projections, assumptions and estimates of SEA’s future performance and the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading “*Risk Factors*” in this Appendix B and under the headings “*Cautionary Statement Regarding Forward-Looking Statements*” and “*Risk Factors*” in the Circular and “*Appendix D – Information Concerning the Combined Company*” and “*Appendix F – Unaudited Pro Forma Financial Information*”.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

SEA presents its financial statements in United States dollars. Except as otherwise indicated, all dollar amounts indicated in this Appendix B are expressed in United States dollars. The following tables set forth the high and low exchange rates for Canadian dollars per United States dollar for the period indicated and the exchange rate at the end of such period, based on the Bank of Canada rate of exchange on the date specified.

United States Dollars Exchange Rates

Year ended June 30 (Expressed in Canadian Dollars per US Dollar)

	2023	2022	2021
Rate at end of period	\$1.3288	\$1.2814	\$1.2219
Average rate during period	\$1.3397	\$1.2659	\$1.2823
High for period	\$1.3856	\$1.3039	\$1.3616
Low for period	\$1.2753	\$1.2329	\$ 1.204

On February 20, 2024, the indicative rate of exchange as quoted by the Bank of Canada was US\$1.00 = C\$1.3518.

SEA ELECTRIC INC. – CORPORATE STRUCTURE

Name, Address and Incorporation

SEA was incorporated in the State of Delaware in 2022 under the Delaware General Corporation Law after having developed electric power-system technology for commercial transportation fleets since its founding in 2012 in Australia as a corporation incorporated under the Corporations Act 2001 of Australia. SEA's registered address is 1209 Orange Street, in the city of Wilmington, in the County of New Castle, in the State of Delaware, 19801. SEA's head office address is 436 Alaska Ave, Torrance, California, 90503. In 2022, it reorganized its business and corporate structure creating SEA as a holding company.

Intercorporate Relationships

Name of subsidiary	Jurisdiction	State or province where registered/organized
SEA Electric LLC	United States	Delaware
SEA Electric Holdings Pty Ltd	Australia	Victoria
SEA Electric Pty Ltd	Australia	Victoria

SEA owns 100% of the voting interests of the subsidiaries listed above and SEA has no other subsidiaries with assets exceeding 10% of the consolidated assets of SEA or with sales and operating profit exceeding 10% of the consolidated sales and operating revenues of SEA. Furthermore, SEA has no other subsidiaries, when considered in the aggregate, with assets exceeding 20% of the consolidated assets of SEA or sales and operating revenues exceeding 20% of the consolidated sales and operating revenues of SEA.

GENERAL DESCRIPTION OF THE BUSINESS

Overview

SEA is a global e-Mobility technology company that was founded in Australia in 2012 and since 2022 has been incorporated in Delaware, USA, and is headquartered in Torrance, California. SEA's principal business is the sale of its proprietary all-electric SEA-Drive® power-system technology that has been developed to provide zero-emission power to urban delivery and commercial transport fleets. SEA spent approximately six years developing the SEA-Drive® power-system and launched its first model in 2017. Since that time, SEA has released its SEA-Drive® power-system in a range of medium and heavy-duty commercial vehicles including delivery trucks, garbage trucks, tipper trucks, tilt tray trucks, reefer trucks, cherry picker trucks, school buses, shuttle buses, cargo vans and passenger vans. The SEA-Drive® power-system is adaptable to most original equipment manufacturer ("OEM") glider chassis platforms from Class 3 to Class 8 (3.5

tonnes to 29 tonnes). SEA initially sold products in Australia and New Zealand and since 2021 SEA has been selling its SEA-Drive® power-system in the U.S. SEA has also sold a small number of products with the SEA-Drive® power-system in Canada, Thailand, Indonesia, India and South Africa to test market acceptance. In fiscal year ended June 30, 2023 (“fiscal 2023” or “FY 2023”), and fiscal year ended June 30, 2022 (“fiscal 2022” or “FY 2022”), revenue at SEA was \$17.1 million and \$6.9 million, respectively. In fiscal 2023, the U.S. became the largest source of revenue for SEA, accounting for approximately 60% of sales on a dollar basis and 64% of units sold.

Collectively, vehicles with the SEA-Drive® power-system have achieved more than three million miles of service via independent OEM-testing and real-world operation.

SEA has deployed almost 400 battery-electric vehicles to date. Customer and telematics data show that the SEA-Drive® power-system provides world-class total cost of ownership (“TCO”).

Products and Services

The SEA-Drive® power-system provides OEMs with zero-emissions powertrains that can be customized to better suit customer needs in terms of performance, efficiency and total cost of ownership. SEA's products improve efficiency and reduce global emissions by electrifying commercial vehicles. SEA provides engineering and systems integration services to electrify commercial vehicles via its power-system technology across a range of vehicle sizes (Classes 3 through 8; light, medium, and heavy-duty vehicles). SEA supplies the marketplace through the dealer networks of OEMs in Australia and the U.S. and directly to several large customers.

Versions of the SEA-Drive® power-systems that are presently provided in the U.S. are suitable for Class 5, Class 6 and Class 7 vehicles. All of SEA's products utilize the same SEA-developed and patented software, as well as major components produced by our suppliers. SEA has worked with major suppliers to enhance component performance with the patented SEA software. The primary differences in the SEA-Drive® power-system variants currently provided are the size of battery, measured by kilowatt-hour (“kWh”), and the power of the electric motor, measured by the newton-meter (“Nm”).

All of SEA's products are designed, tested, and validated in accordance with SEA's own internal requirements, as well as tested and certified to meet major design and regulatory requirements. SEA's products are designed to comply with all Federal Motor Vehicle Safety Standards and meet Environmental Protection Agency and California Air Resources Board requirements. The following table describes the features of SEA's main products:

Products	Features
SEA-Drive® power-system	<ul style="list-style-type: none"> <li data-bbox="500 1388 1424 1539">• The SEA-Drive® power-system is designed to support a wide range of vehicle weights and usage requirements through the combination of different battery capacities and motor sizes. The system uses a common suite of software, which have been designed and patented by SEA, along with other components. <li data-bbox="500 1556 1424 1864">• Key differentiators that contribute to the efficiency, performance, and cost of the power-system: <ul style="list-style-type: none"> <li data-bbox="597 1623 1424 1680">• software centrally controls all the key electrical components to better calibrate draw of power; <li data-bbox="597 1696 1424 1753">• the power output of the batteries is managed by the vehicle controller to eliminate the need of liquid thermal management. <li data-bbox="597 1770 1424 1827">• ability to mix battery capacity and motor size to better optimize performance and cost; <li data-bbox="597 1843 1424 1864">• mid-mounted batteries for improved safety;

Products	Features
SEA-Drive® power-system 120a	<ul style="list-style-type: none"> technical teams that are experienced with needs of the customer and have developed significant skills with efficiently integrating the SEA-Drive® power-system with multiple vehicle types and usage requirements; and on-board charging that supports both Alternating Current (“AC”) and Direct Current (“DC”) charging.
SEA-Drive® power-system 120b	<ul style="list-style-type: none"> The SEA-Drive® power-system 120a is commonly used with Class 3 to 5 vehicles with Gross Vehicle Weight Rating (“GVWR”) of up to 19,500lbs Key features of the system include a 138 kW battery pack which delivers a range of up to 140 miles at 50% load and 1500Nm motor. The system is suitable to a wide range of bodies and applications such as dry box freight, refrigeration, dump truck, tray truck, and small garbage truck. <hr/> <ul style="list-style-type: none"> The SEA-Drive® power-system 120b: <ul style="list-style-type: none"> includes a battery pack of 138 kWh and a motor of 3500Nm,; can be used with Class 5 through 7 vehicles (GVWR of up to 33,000lbs); delivers a class-leading range of up to 130 miles to 150 miles (unladen); and is suitable for step vans, Class 6/7 commercial vehicles and school buses.
SEA-Drive® power-system 180b	<ul style="list-style-type: none"> The SEA-Drive® power-system 180b: <ul style="list-style-type: none"> includes battery pack of 220 kWh and motor of 3500Nm; can be used with Class 6/7 (GVWR of up to 33,000lbs), delivers a class-leading range of up to 130-150 miles (unladen); and is suitable for step vans, Class 7 commercial vehicles, school bus and garbage trucks.
SEA-Drive® power-system 70-7 (Australia)	<ul style="list-style-type: none"> The SEA-Drive® power-system 70-7: <ul style="list-style-type: none"> features maximum power and torque ratings of 134kW and 700Nm; used in the SEA 300-45 EV model, and is capable of 10,000lbs gross vehicle mass and being driven on a car license.
SEA-Drive® power-system 100 (Australia)	<ul style="list-style-type: none"> The SEA-Drive® power-system 100: <ul style="list-style-type: none"> includes a battery pack of 100kWh; motors are either 1000Nm or 1500Nm; and used in the SEA-85 EV model.
SEA-Drive® power-system 250 (Australia and U.S.)	<ul style="list-style-type: none"> The SEA-Drive® power-system 250 (which is currently in the prototype assembly phase of development): <ul style="list-style-type: none"> includes battery pack of 220kWh and motor of 6200Nm; is suitable for use with either 4x2 or 6.2 axle configurations with a gross vehicle mass range up to 50,000lbs; and

Products

Features

- is suitable for applications such as freight services, refrigerated food, elevated work platform, and refuse trucks.

Components

SEA purchases components for its SEA-Drive power-systems from suppliers. The major components (battery, motor, charger) are imported from China while other components are sourced in the U.S. or Australia. We have not experienced any component shortages since production in China was normalized at the end of the COVID-related lock-downs. Pricing of components from China is in U.S. dollars.

Sales and Distribution

SEA presently has sales, after-sales and engineering in North America and Australia and sales and after sales in New Zealand. Near term sales potential for SEA is predominantly in the U.S. where there is significant federal and state support for zero-emission vehicles and SEA has received series production contracts from Mack and Hino.

SEA's commercialization timeline and selected highlights are as follows:

1. SEA's commercialization commenced in Australia in 2017. Initial sales were conversions of existing internal combustion engine ("ICE") commercial vehicles to zero-emission.
2. In 2020, Hino Australia (a Toyota Company) and SEA agreed to a business arrangement whereby Hino would provide gliders (i.e., chassis/cab trucks without a powertrain) to SEA to be upfitted with the SEA-Drive® power-system. The finished vehicles are badged as SEA and distributed through Hino dealers and to certain direct customers in Australia and New Zealand.
3. SEA entered the U.S. market in 2019 and commenced working with Hino U.S. to upfit the SEA-Drive® power-system to Class 5 Hino chassis/cab trucks for distribution as SEA-badged vehicles. In addition, SEA converted small numbers of other OEM trucks to zero-emission and several step vans (including units for UPS and other delivery companies).
4. In 2021, SEA was one of 16 companies invited by Mack U.S. to participate in a market test designed to select an exclusive partner to provide zero-emission power systems for Mack Class 6 and 7 trucks. SEA was selected following significant testing (including an equivalent 550,000-mile durability test).
5. In 2022, SEA was selected by Hino U.S. as a partner in their Project Z to become their supplier of zero-emission power-systems for their Class 4 through 7 trucks.
6. In late 2023, Mack and SEA commenced a five-year supply agreement to provide zero-emission Mack Class 6 and 7 trucks, branded as Mack and distributed through the Mack Dealer Network in the U.S.
7. SEA is working with Midwest Transit Equipment, a major U.S. school bus contractor, to convert buses from ICE to zero-emission power systems.
8. In the Association of Southeast Asian Nations ("ASEAN"), SEA is working with Hino to supply zero-emission trucks for ASEAN countries. In Australia, SEA has a license agreement with a mining supply company ("MEVCO") to support them with zero-emission conversions for vehicles used in the mining industry in Australia. Additionally, SEA has a contract with a major airplane refueling operator for zero-emission airplane refuelers.

9. During 2024, SEA intends to work with both Hino and Mack to supply against the contracts and expanded business.

SEA's sales teams develop coordinated strategies with OEMs for sales to customers through the OEM dealer network, manage relationships and sales to direct customers (e.g., school bus and other major fleets) and manage dealer relationships for sale of SEA-badged vehicles in Australia and the U.S. There are presently four models for sales:

1. Through OEMs: SEA sells the power-system directly to the OEM and oversees assembly of the power-system into the OEM product. The OEM distributes the finished vehicle through its dealer network (2024 process with Mack in the U.S).
2. Direct sales to customers: SEA currently sells and assembles power-systems into customer-owned school buses in the U.S. and to various fleets in Australia.
3. Sales to Hino dealers in Australia and the U.S.: Various Hino models badged as SEA and equipped with SEA power-systems are sold through Hino dealers in Australia and the U.S. It is possible that this sales model and the first sales model referenced above will be replaced by direct to OEM sales in the future.
4. License agreement in Australia: Allows MEVCO to convert vehicles for mining applications to zero-emission vehicles ("**ZEV**").

Growth Avenues

SEA's focus is on the commercial vehicle electrification market. SEA believes that there is great potential for growth in its largest existing markets in the U.S. and Australia as announced regulatory requirements take hold in the U.S. and with growing major customer demand in Australia. We also believe that expanding our geographic footprint and technology through leveraging existing OEM relationships is an area that has significant growth potential.

The development of a powertrain system that is compatible with hydrogen fuel cells and can expand SEA's present market coverage to include heavier vehicles and longer-range requirements is an important target for SEA and its partners. Hydrogen-powered vehicles are seen as an important contributor to Zero-Emission for heavy and long-haul commercial vehicles. However, there is significant work to be done on infrastructure across the U.S. to support this initiative.

Research and Development

SEA believes that a strong research and development ("**R&D**") focus is mandatory to sustain a leadership position in its market. The majority of SEA's R&D is conducted internally with approximately 50% of SEA's 22 engineers' time devoted to R&D activities. This results in a substantially lower cost versus outsourcing engineering to consulting firms. We believe these cost savings to be approximately 50% of our R&D spend. We have completed several programs in the past two years and are currently working on several significant projects in our R&D groups in the U.S. and Australia:

Recently Completed Projects:

1. Integration of Jing-Jin Electric ("**JJE**") motor replacing the Dana TM4;
2. Upgrade of battery cells to 17-ampere hours and then to 19-ampere hours; and
3. Customized power steering system.

Key Ongoing Projects:

1. *Testing the Exro Coil Drive on vehicles with the SEA-Drive® power-system and collaboration with existing partners on adoption of this power-system.* As of the date of this Circular, we believe this project is in its release state;
2. *Research on range extenders and fuel cells.* As of the date of this Circular, this project is finalizing its statement of work. We believe at least 2,000 hours of additional development are required for this project to be completed;
3. *Battery research on evolving technologies and new manufacturing entrants in the U.S. and Canadian markets.* As of the date of this Circular, this project is finalizing its statement of work. We believe at least 1,000 hours of additional engineering work is required for this project to be completed;
4. *Telematics innovation.* As of the date of this Circular, this project is finalizing its statement of work. We believe at least 3,000 hours of additional development are required for this project to be completed;
5. *Development of SD250 for Class 8.* As of the date of this Circular, this project is in the prototype assembly phase. We believe at least 3,000 hours of additional development are required for this project to be completed;
6. *Continuing development of ZEV airplane re-fueller in Australia and other markets.* As of the date of this Circular, this project is in the phase of continuous development to support additional customer needs and introduction in other markets, including South America and the Middle East;
7. *Continuing development of ZEV mining vehicles (including additional vehicle types).* As of the date of this Circular, this project has completed initial prototype of two-wheel and four-wheel drive vehicles for testing generally and for testing compatibility with additional types of vehicles;
8. *Development of the SEA-Drive® 430 with hydrogen fuel cell capability.* As of the date of this Circular, this project is developing its statement of work;
9. *Continuing work with Toyota on the Innova ZEV vehicle in Indonesia.* As of the date of this Circular, this project is undergoing weekly engineering reviews with Toyota and is testing the support available for these types of vehicles in the Indonesian market;
10. *Development of Hino ZEV for Thailand.* As of the date of this Circular, this project has completed development of an initial prototype for testing in Thailand. The second prototype is due to be assembled at the Hino facility in Thailand.

In 2023, SEA spent approximately 7% of revenue on R&D and our goal is to maintain a spend of about 2.5% annually, which is a significant R&D investment based on forward revenue projections. Since its inception, SEA has spent more than \$20 million developing the SEA-Drive® power-system.

Infrastructure and Technology

SEA utilizes secure service providers to store and manage key systems and ensure highest security levels, 24-hour access and system access management. SEA has conducted cyber-security training, utilizes Cisco Meraki to protect firewalls at our R&D facilities and does penetration tests on a regular basis.

Intellectual Property

Our core software which manages the SEA-Drive® power-system is patented with 20 claims. The patents are approved in 14 jurisdictions, including Australia, New Zealand, U.S.A., Canada, Mexico, Brazil, Japan,

China, European Union (including the U.K.), Russia, Singapore, South Africa, India and others. SEA has registered trademarks for key components, including the SEA-Drive® power-system.

This Appendix B includes trademarks, trade names and material subject to copyright, including the trademark/trade names, which are protected under applicable intellectual property laws and are the property of SEA. Solely for convenience, SEA's trademarks, trade names and copyrighted material referred to in this Appendix B may appear without the TM, ® or © symbol, but such references are not intended to indicate, in any way, that SEA will not assert, to the fullest extent under applicable law, its rights to these trademarks, trade names and copyrights. All other trademarks used in this Appendix B are the property of their respective owners.

SEA currently relies primarily on patent and trade secret laws to protect its intellectual property. SEA does not expect the expiration of any of its patents to have a material effect on its revenue.

SEA also relies on a combination of trademark, trade secret and other intellectual property laws and various contract rights to protect its proprietary rights. SEA believes that its intellectual property protected by copyright and trademark protection is less significant than its intellectual property protected by patents.

Competition

SEA believes it has developed a technological leadership position in the commercial vehicle electrification segment based on the specific vision that was established in 2012 to develop a Zero-Emission power system that would meet the specific requirements of the Class 3 through 8 delivery segments. SEA took approximately six years to refine and define the product and develop a power system targeted at meeting customer needs. We believe we have developed a Zero-Emission solution that strongly positions us in this segment and that our approach to software, battery design and control and the integration of other key components contributes to our leadership position in this segment. We believe our competitive strengths include:

- focus on right-sized power-system and integration that provides reduced total cost of ownership: competitors are trying to develop new vehicles to compete with major OEMs and this requires large investment and could present major marketing risks in a very conservative sub-segment of the market;
- extensive software development expertise and a unique vision of the role of software: to our knowledge, competitors have followed a less encompassing approach to software and rely on expensive liquid thermal management for batteries;
- strong technological base: focus on the power system to support customer needs has allowed specialization that cannot be achieved in the short term or with development of a full vehicle;
- strong global distribution potential supported by OEM relationships: to our knowledge, SEA is the only new entrant in the market segment that has OEM relationships as of the date of this Circular;
- OEM partners' willingness to share automotive engineering and testing expertise;
- OEM-level vehicle durability testing;
- OEM partners' support with supply chain development and leverage with key suppliers;
- established systems integration expertise; and
- participating in end-markets with growth and served by an expanding footprint.

Competitive Position in the US:

Our established competitors have strong distribution networks and strong customer support for their brands. We do not believe that our established competitors will exit this segment of the market, however, there may be differences in how they try to approach the ZEV solution. At the present time, all the competitors in the medium truck segment are faced with the need to progressively replace ICE vehicles with ZEVs and maintain their existing/historic market share.

Customers and Strategic Relationships

SEA's customers include some of the world's largest commercial vehicle OEMs, including Hino and Mack.

SEA is working with its customers to address their vehicle needs as they integrate zero-emission vehicles and services into their businesses. Additionally, SEA continually surveys and evaluates the benefits of joint ventures, acquisitions and strategic alliances with its customers and other participants in the electric vehicle commercialization industry to strengthen SEA's global business position.

Employees

As of December 31, 2023, SEA employed approximately 130 employees with headcount split approximately equally between Australia and the U.S. Almost 60% of employees are in Operations, which is made up of R&D, Assembly and Supply Chain. Another 20% of employees are in Marketing, Sales and Service. The remaining employees are in IT, Administration and Corporate Management. About 70% of our employees work in three centers (Dandenong in Australia, Grimes in Iowa, and Torrance in California) and approximately of 12% our employees work remotely.

Specialized Skill and Knowledge

SEA has developed specialized skills and knowledge to support all of the elements that provide a competitive advantage, including intellectual property and proprietary design of both powertrain and software control systems. These are tailored specifically to the needs of the medium-duty market, eliminating the need for liquid cooling, and thereby reducing the cost and weight of the system and assembly design for multiple platforms. SEA engineers have developed specific skills starting from 2012 and continue to view their skills and knowledge as necessary for continuous improvement.

Properties

SEA's executive offices are in Torrance, California. SEA also leases a facility in Grimes, Iowa where design, engineering and some assembly operations are performed. SEA leases two buildings that house all the functions performed by SEA operations in Australia and one small office in New Zealand.

SEA believes its facilities are presently adequate for its current core operations and OEM deployment program and production.

DIVIDENDS OR DISTRIBUTIONS

SEA has not declared any dividends, nor has it made any distributions in the last three completed financial years nor in the current financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations for Periods Ending June 30, 2023, 2022 and 2021

The following discussion and analysis of financial condition and results of operations ("MD&A") of SEA Electric Inc., (together with our affiliates, "SEA", "SEA Electric", "we", "our", "us", or the "Company") should be read in conjunction with the Company's audited financial statements for the fiscal years ended June 30, 2023, 2022 and 2021 and related notes appearing elsewhere in this Circular. Our actual results may not be indicative of future performance. This discussion and analysis contain forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those discussed in the sections of this Circular titled "Appendix B Information Concerning SEA – Cautionary Statement Regarding Forward-Looking Information" and "Appendix B Information Concerning SEA – Risk Factors". Actual results may differ materially from those contained in any forward-looking statements. Certain monetary amounts, percentages and other figures included in this report have been subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated, may not be the arithmetic aggregation of the percentages that precede them. All financial detail is expressed in U.S. dollars unless otherwise indicated. This MD&A has been prepared as of the date of this Circular.

Executive Overview

SEA Electric is the leading provider of zero emission power-systems for use in commercial vehicles (Class 3 through Class 8). We commenced operations in 2012 and have developed a power-system that we believe meets the needs of the commercial segment in performance, reliability and cost. SEA Electric's focus during the development of the SEA-Drive® power system was to design, test and provide software that would control all of the key electrical components in a vehicle and manage the use of power from the battery to better ensure that key range requirements are met. SEA Electric does not manufacture the components that make up the SEA-Drive® power system but has worked with key suppliers to design components to meet the efficiency and reliability requirements of our customers. SEA Electric oversees and in certain cases performs the assembly of its power-systems into customers' vehicles.

SEA Electric sells or licenses its power-systems to OEMs, to operators of specialty vehicles (school buses, airplane refueling trucks and vehicles used in mining), to Hino dealers in the U.S. and Australia using Hino vehicles badged as SEA and to certain fleet customers. Currently, our two OEM customers are Hino in the U.S. and Australia (a division of Toyota) and Mack in the U.S. At the present time our major markets are the U.S. and Australia, although we are leveraging our existing OEM relationship to extend into the ASEAN countries (through Hino in Thailand) and potentially into the Middle East and North Africa, as well as Europe.

The Company's vision is to help companies reduce global pollution by offering a cost effective and proven electric power-system known as SEA-Drive®.

Impacts of COVID-19 and Impact on Our Business

SEA Electric began commercialization in Australia in 2018 and entered the U.S. in 2019. COVID-19 commenced to spread in early 2020 and was declared a global pandemic with far reaching impact on global commerce. The pandemic triggered a significant downturn in global commerce with manufacturing, freight and most business activities severely impacted through 2020 and into 2021. While it is difficult to measure the impact of COVID-19 on a start-up business, management of SEA Electric is convinced that there was a significant impact on its ability to launch driven by supply chain constraints, labor shortages and a significant deferral of purchase decisions for electric vehicles due to the global business issues.

As a result of the pandemic, component costs increased in 2021 and 2022, freight costs increased significantly and several complete shutdowns in China (during 2022) delayed the re-opening of some key

manufacturers in Shanghai and other regions. All these issues put significant stress on SEA Electric's ability to sell power-systems, margins and on cash.

While we see no immediate threat, a re-emergence of the pandemic in key regions could disrupt our business.

Factors Affecting Our Revenues

Revenues are the result of a number of factors:

1. Customer expectations with respect to the relationship between the price of a zero-emission vehicle ("ZEV") and a vehicle equipped with a traditional internal combustion engine ("ICE");
2. The ability of the SEA Electric team and the dealers that we work with through OEMs or directly to provide customers with a good understanding of the TCO advantage of a ZEV versus an ICE vehicle;
3. Availability of Federal, State, Provincial and Local grants or subsidies that are used to promote the adoption of ZEV's and assist in achievement of various clean air targets;
4. Ability of businesses to find affordable solutions for charging their ZEVs;
5. The strength and training of our distribution networks (principally the dealer networks of Hino and Mack);
6. ZEV adoption strategies of countries, and large businesses such as major fleets, mining, school bus and operators of specialist vehicles (e.g., airplane refueling trucks); and
7. Changes in the Cost of Goods Sold due to raw materials, labor costs, infrastructure costs (e.g., the escalation of freight costs during COVID-19), regulatory actions such as the imposition of higher tariffs on goods imported from China and other factors are all reasons for management to review and adjust prices.

Factors Affecting Our Expenses and Other Items

Our expenses and other line items in our Consolidated Statements of Operations are principally driven by the following factors:

1. Cost of goods sold consist of material costs (principally powertrain components such as batteries and motors, and wiring due to changes in copper prices, steel and other commodities), freight costs, labor expenses, and overhead and duties applied to imports. Our cost of goods sold may vary from period to period due to changes in sales volume, efforts by certain suppliers to pass through the economics associated with key commodities, fluctuations in freight costs, design changes with respect to specific components, design changes with respect to specific vehicles, wage increases for plant labor, productivity of plant labor, delays in receiving materials and other logistical challenges, inflation, changes in duty rates applied to imported components and the impact of overhead items such as utilities.
2. Selling, general and administrative ("SG&A") expenses include costs associated with our selling and marketing efforts, engineering, centralized finance, human resources, purchasing, and information technology services, along with other administrative matters and functions. In most instances, marketing programs, the principal component of these costs is salary expense, professional service charges and rent. Changes from period to period are typically driven by employment factors.
3. Interest expense relates to costs associated with our debt instruments and reflects both the amount of indebtedness and the interest rate that we are required to pay on our debt.

4. Estimates of the amounts to recognize for income taxes in each tax jurisdiction in which we operate are included. In addition, provisions are established for certain withholding taxes and for uncertain tax positions taken.
5. Other income and expense items are largely gains or losses on foreign currency, if any. Other amounts not associated with operating expenses may also be included in this balance.

Our Segments

We continue to manage our business as a single segment covering the sale of our SEA-Drive® power system. Financial information is reported on the basis that it is used internally by the chief operating decision maker (“CODM”) in evaluating performance. The Chief Executive Officer of the Company has been identified as the CODM. If the Company is to adopt segment reporting in the future, it will most likely be on a geographical basis, however, given the fact that our business is still maturing in most markets, we believe that a segment-based reporting decision is premature at the present time.

Consolidated Statement of Operations and Comprehensive Loss

(in U.S. Dollars)

Year ended June 30,	2023		2022	
Revenue	\$	\$17,085,346	\$	6,881,324
Operating Expenses				
Cost of sales		(22,076,648)		(13,920,668)
Selling, general, and administrative		(32,564,314)		(25,250,478)
Research and development		(1,134,062)		(1,266,886)
Total Operating Expenses		(55,775,024)		(40,438,032)
(Loss) from Operations		(38,689,678)		(33,556,708)
Other Income		1,554,202		102,962
Interest Expense		(2,498,868)		(2,725)
(Loss), before income taxes		(39,634,345)		(33,456,471)
Income Tax Provision		-		-
Net (Loss)	\$	(39,634,345)	\$	(33,456,471)
Per-Share		\$(9.12)		\$(7.70)
Diluted Per-Share		\$(7.81)		\$(7.34)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments		565,353		(1,063,692)
Total Comprehensive (Loss)	\$	(39,068,992)	\$	(34,520,163)
Per-Share		\$(8.99)		\$(7.95)
Diluted Per-Share		\$(7.70)		\$(7.58)

Year ended June 30,	2023	2022
Total Assets	\$20,798,316	\$31,789,276
Total Non-Current Financial Liabilities	\$22,857,802	\$2,653,620

The following provides a breakdown of revenue for the U.S., Australia and New Zealand:

<i>Year ended June 30,</i>	2023		2022	
Primary geographic markets:				
Australia	\$	6,934,521	\$	4,614,945
New Zealand		128,999		198,431
United States		10,021,826		2,067,948
Total Revenues	\$	17,085,346	\$	6,881,324

The following provides a summary of quarterly results for each of the eight most recently completed quarters:

Quarter Ended	Revenue	Net Loss	Issued	Fully Diluted
June 30, 2023	\$ 1,527,250	\$ (8,693,850)	\$ (2.00)	\$ (1.71)
March 31, 2023	\$ 3,528,245	\$ (8,762,761)	\$ (2.02)	\$ (1.73)
December 31, 2022	\$ 6,299,811	\$ (10,549,509)	\$ (2.43)	\$ (2.13)
September 30, 2022	\$ 5,730,040	\$ (11,062,872)	\$ (2.55)	\$ (2.27)
June 30, 2022	\$ 3,232,820	\$ (16,244,361)	\$ (3.74)	\$ (3.57)
March 31, 2022	\$ 516,854	\$ (7,379,482)	\$ (1.80)	\$ (1.73)
December 31, 2021	\$ 1,211,605	\$ (4,984,175)	\$ (1.22)	\$ (1.17)
September 30, 2021	\$ 1,919,722	\$ (4,848,453)	\$ (1.20)	\$ (1.15)

Net sales were \$17.1 million for fiscal 2023, an increase of \$10.2 million, or 148.3%, compared to \$6.9 million for fiscal 2022. The increase in net sales is primarily due to unit bookings in fiscal 2023 of 128 units, up from 44 units in fiscal 2022, product and mix changes, as well as pricing actions taken by management in response to increased inventory purchase costs.

In Australia and New Zealand, sales increased \$2.3 million, or 46.7%, reflecting an increase in units booked to 42 units in fiscal 2023, up from 29 units in fiscal 2022 and a 3.8% increase in average sales price per unit. The increase in average sales price per unit reflects pricing actions taken by management as well as product and customer mix changes.

Sales in the U.S. increased \$8.0 million, or 484.6%, for fiscal 2023 compared to fiscal 2022, reflecting an increase in units booked to 86 units in fiscal 2023, up from 15 units in fiscal 2022; average price/unit in fiscal year 2023 was down about 13.3% due to a higher mix of fleet units.

Total cost of sales was \$22.1 million for fiscal 2023, an increase of \$8.2 million, or 59.0%, compared to \$13.9 million for fiscal 2022. The increase in cost of goods sold was due to the increase in volume, partially offset by cost reductions.

Operating loss was \$38.7 million for fiscal 2023, an increase of \$5.1 million, or 15.2%, compared to \$33.6 million of operating loss for fiscal 2022. The increase in operating losses was due to an increase of \$7.2 million in SG&A expenses and R&D expenses to support the expansion in the U.S. market. Higher costs were incurred in personnel costs (\$4.7 million), professional services and legal fees, (\$1.0 million in each), and in rent and other overhead (\$0.5 million). A reduction in negative gross margin of \$1.9 million, as outlined in the revenue and cost of goods sold discussions above, was a partial offset to higher expenses.

Interest expense was \$2.5 million for fiscal 2023, compared to \$0.0 million for fiscal 2022. The increase was primarily attributable to SEA Electric raising cash through the issuance of a series of convertible notes with a principal amount of \$17.0 million and the issuance of a series of promissory notes totalling a principal amount of \$20 million.

Other income, net, was \$1.6 million for fiscal 2023, an improvement of \$1.5 million, compared to \$0.1 million of other income, net, in fiscal 2022 due to an R&D credit in the Australian operation.

Income tax expense was \$0.0 million for fiscal 2023, unchanged from FY 2022.

Consolidated Results of Operations for the fiscal years ended June 30, 2022, and June 30, 2021:

Consolidated Statement of Operations and Comprehensive Loss

(in U.S. Dollars)

Year ended June 30,	2022	2021
Revenue	\$ 6,881,324	\$ 1,545,028
Operating Expenses		
Cost of sales	(13,920,668)	(3,342,548)
Selling, general, and administrative	(25,250,478)	(11,514,982)
Research and development	(1,266,886)	(2,047,264)
Total Operating Expenses	\$ (40,438,032)	(16,904,794)
(Loss) from Operations	(33,556,708)	(15,359,766)
Other Income	102,962	(811,250)
Interest Expense	(2,725)	(629,534)
(Loss), before income taxes	(33,456,471)	(16,800,550)
Income Tax Provision	-	-
Net (Loss)	\$ (33,456,471)	\$ (16,800,550)
Per-Share	\$(7.70)	\$(4.25)
Diluted Per-Share	\$(7.34)	\$(4.08)
Other Comprehensive Income (Loss)		
Foreign currency translation adjustments	(1,063,692)	(359,130)
Total Comprehensive (Loss)	\$ (34,520,163)	\$ (17,159,680)
Per-Share	\$(7.95)	\$(4.34)
Diluted Per-Share	\$(7.58)	\$(4.16)

Year ended June 30,	2022	2021
Total Assets	\$31,789,276	\$25,154,379
Total Non-Current Financial Liabilities	\$2,653,620	\$2,674,118

The following provides the breakdown of revenue for the U.S., Australia and New Zealand:

<i>Year ended June 30,</i>	2022		2021	
Primary geographic markets:				
Australia	\$	4,624,945	\$	989,218
New Zealand		198,431		315,673
United States		2,067,948		240,137
Total Revenues	\$	6,881,324	\$	1,545,028

Net sales were \$6.9 million for fiscal 2022, an increase of \$5.3 million, or 353.0%, compared to \$1.5 million for the fiscal year ended June 30, 2021 (“**fiscal 2021**” or “**FY 2021**”). The increase in net sales is primarily due to unit bookings in fiscal 2022 of 44 units, up from 14 units in fiscal 2021 and product and mix changes. The increase in unit sales was due primarily to a more favorable business environment in 2022.

In Australia and New Zealand, sales increased \$3.5 million, or 270.6%, reflecting an increase in units booked to 29 units in fiscal 2022, up from 9 units in fiscal 2021 and a 45.9% increase in average sales price per unit. The increase in average sales price per unit reflects pricing actions taken by management as well as product and customer mix changes.

Sales in the U.S. increased \$1.8 million, from \$0.2 million in fiscal 2021 to \$2.1 million fiscal 2022, reflecting an increase in units booked to 15 units in fiscal 2022, compared to only 5 units in fiscal 2021.

Total cost of goods sold was \$13.9 million for fiscal 2022, an increase of \$10.6 million, or 321.2%, compared to \$3.3 million for fiscal 2021. As a percentage of net sales, total cost of goods sold was 202.3% in FY 2022 compared to 216.3% in FY 2021 reflecting higher cost prototype parts for low volume production and labor inefficiencies.

Operating loss was \$33.6 million for fiscal 2022, an increase of \$18.2 million, or 118.2%, compared to \$15.4 million of operating loss for fiscal 2021. Profitability was primarily impacted by higher losses on a gross margin basis of \$5.2 million and increases in SG&A of about \$13.8 million, principally the cost of expanding the U.S. operation.

Higher SG&A expenses were largely due to personnel cost (\$8.0 million), legal expenses (\$1.8 million), consulting (\$1.2 million), events and marketing (\$1.2 million) and other overhead costs.

Interest expense was \$0.0 million for fiscal 2022, compared to \$0.6 million for fiscal 2021. The reduction was due to the company fully paying off interest bearing agreements during 2021.

Other income, net, was \$0.1 million for fiscal 2022, an improvement of \$0.9 million, compared to \$(0.8) million of other income, net, in fiscal 2021.

Income tax expense was \$0.0 million for fiscal 2022, unchanged from FY 2021.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash generated from sales by operations, available cash, borrowings and sales of shares. Principal uses of cash are working capital and operating expense (including lease payments (see schedule below)). SEA has very limited capital investment requirements. We currently forecast SEA will achieve positive Free Cash Flow in calendar year 2025 based on the present plan and until that time, will rely on equity and debt to meet working capital requirements. On June 30, 2023, the Company had \$1.4 million of available cash and cash equivalents. On July 19, 2023, the Company received \$10 million in gross proceeds from the issuance of additional promissory notes.

Year ending June 30,

	Operating Leases	
	2023	2022
2023	\$ -	\$ 597,065
2024	626,997	610,433
2025	599,902	574,939
2026	510,041	475,231
2027	327,889	261,416
2028	324,835	-
	2,389,664	2,519,084
Loss:		
Imputed interest	(129,057)	(256,949)
Foreign currency adjustment	(40,133)	(45,979)
Present Value of Future Minimum Lease Payments	\$ 2,220,474	\$ 2,216,156

Short-Term and Long-Term Liquidity Requirements

Our ability to make principal and interest payments on borrowings under our outstanding promissory notes and convertible promissory notes and our ability to fund planned capital expenditures will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other conditions.

Cash Flows

The following table sets forth general information derived from our statement of cash flows for the fiscal years presented:

Consolidated Statement of Cash Flows

(in U.S. Dollars)

Year Ended June 30	2023	2022
Cash at Beginning of Year	\$ 10,011,935	\$ 8,678,861
Net Cash Provided by (Used in) Operating Activities	\$ (35,783,563)	(26,621,252)
Net Flows from Investing Activities	(437,653)	(533,416)
Net Cash Provided by (Used in) Financing Activities	\$ 26,981,533	\$ 29,332,914
Exchange Rate Impact	660,074	(845,172)
Change in Cash During the Year	\$ (8,579,609)	\$ 1,333,074
Cash at End of Year	\$ 1,432,326	\$ 10,011,935

Cash flows used in operating activities totaled \$(35.8) million for fiscal 2023 and \$(26.6) million for fiscal 2022. The primary drivers of the use of cash in 2023 were net loss of \$(39.6) million, partially offset by changes in operating assets and liabilities of \$3.1 million. In fiscal 2022 cash used in operating activities was the result of a net loss of \$(33.5) million, partially offset by changes in operating assets and liabilities of \$6.4 million. The operating assets and liabilities category was a net contributor to cash in FY 2023 due to additional accrued liabilities, prepayments and adjustment for non-cash charges worth \$7.3 million,

partially offset by net working capital of \$(4.2) million. In 2022, operating assets and liabilities was a net contributor of cash of \$6.4 million, due primarily to favorable net working capital.

Cash flows used in investing activities totaled \$(0.4) million and \$(0.5) million for fiscal 2023 and fiscal 2022, respectively.

Cash provided by financing activities totaled \$27.0 million for fiscal 2023 and was mainly from Convertible Notes issued on November 10, 2022 and July 27, 2022, for a net amount of \$6.8 million and Promissory Notes issued on February 23, 2023, with gross proceeds of \$20 million. In fiscal 2022, cash from financing activities was due to Convertible Notes in total gross proceeds of \$9.9 million that were issued on June 29, 2022, and cash from issue on July 9 and November 15 of 2021 and February 17, 2022 of 273,224 shares of Series A Preferred Stock worth \$19.7 million. These shares of Series A Preferred Stock are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

On June 29, 2022, the Company issued \$10 million in a series of convertible notes. Upon the issuance of these convertible notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense and additional costs incurred to obtain the debt will also be amortized through interest expense under the effective interest method.

On November 10, 2022, the Company issued another \$5 million convertible note under the same terms and conditions as the June 2022 convertible notes. Also, on July 27, 2022, the Company issued another convertible note to another investor for \$2 million in gross proceeds.

On February 23, 2023, the Company issued a long-term promissory note to another investor for gross proceeds totalling \$20 million. An additional promissory note for \$10 million in total gross proceeds was issued on July 19, 2023. The aggregate principal amount of promissory notes outstanding as of July 31, 2023 were \$30 million with an interest rate of 12% accruing to the principal and repayment due on February 28, 2025, for the first \$20 million, and the additional \$10 million is due when the Company raises \$50 million.

Loans payable for fiscal year 2023 consisted primarily of a U.S. 30-year long-term bank loan. The 30-year long-term bank loan was entered into on June 30, 2020 and matures in June 2050. The interest rate charged on the loan is 3.75% with minimum repayment amounts of \$502 per month. The balance on the U.S. long-term bank loan was \$103,000 and \$108,900 at June 30, 2023 and 2022, respectively.

The U.S. government issued Paycheck Protection Program (“PPP”) loans in response to the COVID-19 pandemic. All loans are guaranteed by the U.S. Small Business Administration, have a maturity of five years, and require no collateral or personal guarantees. The Company signed the loan agreement in April 2020. The PPP loan of approximately \$103,000 was forgiven in full in October 2021.

Consolidated Statement of Cash Flows

(in U.S. Dollars)

Year Ended June 30	2022		2021	
Cash at Beginning of Year	\$	8,678,861	\$	466,208
Net Cash Provided by (Used in) Operating Activities	\$	(26,621,252)		(24,787,162)
Net Flows from Investing Activities		(533,416)		(1,003,852)
Net Cash Provided by (Used in) Financing Activities	\$	29,332,914	\$	33,637,220
Exchange Rate Impact		(845,172)		366,551
Change in Cash During the Year	\$	1,333,074	\$	7,846,102
Cash at End of Year	\$	10,011,935	\$	8,678,861

Cash flows provided by (used in) operating activities totaled \$(26.6) million for fiscal 2022 and \$(24.8) million for fiscal 2021. The primary drivers of the use of cash in 2022 were net loss of \$(33.5) million, partially offset by changes in operating assets and liabilities of \$6.4 million. In fiscal 2021 cash used in operating activities was the result of a net loss of \$(16.8) million and changes in operating assets and liabilities of \$(8.0) million. In fiscal 2022, operating assets and liabilities was a net contributor of cash of \$6.4 million, due primarily to favorable net working capital. In fiscal 2021, operating assets and liabilities was a net user of cash of \$(8.0) million, due primarily to prepayments to suppliers of \$(5.7) million and net working capital of \$(4.1) million, partially offset by higher accrued liabilities and adjustment for non-cash charges.

Cash flows used in investing activities totaled \$(0.5) million and \$(1.0) million for fiscal 2022 and fiscal 2021, respectively.

Cash provided by financing activities totaled \$29.3 million for fiscal 2022 and \$33.6 million for fiscal 2021. Fiscal 2022 financing activities are discussed above. Financing activities in fiscal 2021 were primarily the result of sale of 1.1 million shares of Series A Preferred Stock for proceeds of \$39.1 million partially offset by repayment of debt totalling \$(5.5) million.

Critical Accounting Policies and Estimates

Basis of Presentation

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board ("FASB") within its Accounting Standards Codification ("ASC"). The following represents the more significant of those policies and practices.

Going Concern

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the fiscal years ended June 30, 2023, and 2022, the Company reported a consolidated net loss of \$39,634,345 and \$33,456,471, respectively, and had cash flows used in operating activities of \$35,980,556 and \$26,621,252, respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from the date of issuance of its consolidated financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been

finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company's consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The Company's consolidated financial statements include the accounts of the following entities, wholly owned by the Company as of June 30, 2023:

Name of Entity	Place of Incorporation
SEA Electric Holdings Pty Ltd.	Melbourne, AUS
SEA Automotive Pty Ltd.	Melbourne, AUS
SEA Electric Pty Ltd.	Melbourne, AUS
SEA Electric Vans Latrobe Valley Pty Ltd.	Melbourne, AUS
SEA Electric Asia Ltd.	Bangkok, TH
SEA Electric Ltd.	Auckland, NZ
SEA Electric LLC	Delaware, USA
SEA Electric GMBH	Vienna, AT

The entities listed above have been formed or acquired to support the intended operations of the Company.

New Accounting Pronouncements Recently Adopted

In August 2020, the FASB issued Accounting Standards Update (ASU) 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40), changes that simplified the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company adopted the standard on July 1, 2021. There was no impact upon adoption.

New Accounting Pronouncements Not Yet Adopted

Please see notes to financial statements (Note 2) include elsewhere in this Circular.

Off-Balance Sheet Arrangements. The Company does not have any off-balance sheet arrangements for the year ended June 30, 2023 or for the six months ended December 31, 2023.

Transactions Between Related Parties. On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Farr Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The lessors are both stockholders of SEA Electric. Total rent paid

under this lease was approximately \$250,000 and \$241,000 for the years ended June 30, 2023 and 2022, respectively.

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services, which is wholly owned and controlled by a stockholder of the Company.

Consulting Fees Payable to John Pratt

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020, to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at June 30, 2022 and is included in accrued liabilities and other in the consolidated balance sheets. During 2022, John Pratt was appointed as a director of the Company. In 2024, the Company and Mr. Pratt amended his consulting agreement to provide for payment of \$400,000 in cash and 8,650 restricted stock units to pay in full the amounts owed to Mr. Pratt.

Use of Estimates and Significant Judgments

The preparation of the Company's consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in the Company's consolidated financial statements include the allowance for doubtful accounts receivable and trade receivables, inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment and intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, estimated variable consideration on contracts with customers, sales return estimates, and incremental borrowing rates and lease terms applicable to lease contracts.

Financial statement areas that require significant judgments are as follows:

Leases – The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancelable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use (“**ROU**”) asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

Foreign Currency

The Company's consolidated financial statements are presented in United States dollars ("**USD**"), which is the Company's reporting currency. The functional currency of all of the Company's foreign subsidiaries, as determined by management, is the local currency of each entity. All assets and liabilities of the foreign subsidiaries are translated to USD at the rates in effect at the consolidated balance sheet date. All amounts in the consolidated statements of operations and comprehensive loss are translated using the average exchange rates in effect during the year. Resulting translation adjustments are reflected in the accumulated other comprehensive loss component of stockholders' equity. Settlement of receivables and payables in a foreign currency that is not in the functional currency results in foreign currency gains and losses. Foreign currency transaction gains and losses are included in other income in the consolidated statement of operations and comprehensive loss.

Cash and Cash Equivalents

Cash includes cash on hand, deposits with banks, and cash equivalents that are highly liquid investments that are readily convertible to cash. A cash equivalent is a highly liquid investment that at the time of acquisition has a maturity of three months or less. The Company did not have any cash equivalents on June 30, 2023 or 2022. On June 30, 2023 and 2022, the Company held cash balances in excess of insured limits of \$1,182,326 and \$9,761,935, respectively.

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurement (ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

Level 1 – This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature, and the carrying value of long-term loans and convertible debt approximates fair value as they bear a market rate of interest.

Product Warranty Costs

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.

Income Taxes

June 30, 2023 and 2022, the Company had a federal net operating loss carry forward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carry forward period, and a state net operating loss carry forward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at June 30, 2023 and 2022, the Company has foreign net operating loss carry forwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carry forward period. The Company believes that it is more likely than not that the benefit from the net operating loss carry forwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of June 30, 2023 and 2022.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. The Company is generally subject to examination by taxing authorities for years ended June 30, 2020 and onwards.

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statement of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheet at June 30, 2023 or 2022.

Management’s Discussion and Analysis of Financial Condition and Results of Operations for the Three and Six Months Ending December 31, 2023 and 2022 (“interim MD&A”)

The following discussion and analysis of financial condition and results of operations of the Company (“SEA”, “SEA Electric”, “we”, “our”, “us”, or the “Company”) should be read in conjunction with the Company’s financial statements for the three and six months ended December 31, 2023 and 2022 and related notes appearing elsewhere in this Circular. Our actual results may not be indicative of future performance. This discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those discussed in the sections of this Circular titled “Appendix B Information Concerning SEA – Cautionary Statement Regarding Forward-Looking Information” and “Appendix B Information Concerning SEA – Risk Factors”. Actual results may differ materially from those contained in any forward-looking statements. Certain monetary amounts, percentages and other figures included in this report have been subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated, may not be the arithmetic aggregation of the percentages that precede them. All financial detail is expressed in U.S. dollars unless otherwise indicated. This interim MD&A has been prepared as of the date of this Circular.

Factors Affecting Our Revenues

Revenues are the result of a number of factors:

1. Customer expectations with respect to the relationship between the price of a zero-emission vehicle (“ZEV”) and a vehicle equipped with a traditional internal combustion engine (“ICE”);
2. The ability of the SEA Electric team and the dealers that we work with through OEMs or directly to provide customers with a good understanding of the TCO advantage of a ZEV versus an ICE vehicle;
3. Availability of Federal, State and Local grants or subsidies that are used to promote the adoption of ZEV’s and assist in achievement of various clean air targets;
4. Ability of business to find affordable solutions for charging their ZEVs;
5. The strength and training of our distribution networks (principally the dealer networks of Hino and Mack);
6. ZEV adoption strategies of countries, and large businesses such as major fleets, mining, school bus and operators of specialist vehicles (e.g., airplane refueling trucks); and
7. Changes in the Cost of Goods Sold due to raw materials, labor costs, infrastructure costs (e.g., the escalation of freight costs during COVID-19), regulatory actions such as the imposition of higher tariffs on goods imported from China and other factors are all reasons for management to review and adjust prices.

Factors Affecting Our Expenses and Other Items

Our expenses and other line items in our Consolidated Statements of Operations are principally driven by the following factors:

1. Cost of goods sold consist of material costs (principally powertrain components such as batteries and motors, and wiring due to changes in copper prices, steel and other commodities), freight costs, labor expenses, and overhead and duties applied to imports. Our cost of goods sold may vary from period to period due to changes in sales volume, efforts by certain suppliers to pass through the economics associated with key commodities, fluctuations in freight costs, design changes with respect to specific components, design changes with respect to specific vehicles, wage increases for plant labor, productivity of plant labor, delays in receiving materials and other logistical

challenges, inflation, changes in duty rates applied to imported components and the impact of overhead items such as utilities.

2. Selling, general and administrative (“**SG&A**”) expenses include costs associated with our selling and marketing efforts, engineering, centralized finance, human resources, purchasing, and information technology services, along with other administrative matters and functions. In most instances, marketing programs, the principal component of these costs is salary expense, professional service charges and rent. Changes from period to period are typically driven by employment factors.
3. Interest expense relates to costs associated with our debt instruments and reflects both the amount of indebtedness and the interest rate that we are required to pay on our debt.
4. Estimates of the amounts to recognize for income taxes in each tax jurisdiction in which we operate are included. In addition, provisions are established for certain withholding taxes and for uncertain tax positions taken.
5. Other income and expense items are largely gains or losses on foreign currency, if any. Other amounts not associated with operating expenses may also be included in this balance.

Our Segments

We manage our business as a single segment. Financial information is reported on the basis that it is used internally by the chief operating decision maker (“**CODM**”) in evaluating performance and deciding how to allocate resources. The Chief Executive Officer of the Company has been identified as the CODM. If the Company is to adopt segment reporting in the future, it will most likely be on a geographical basis, however, given the fact that our business is still maturing in most markets, we believe that a segment based reporting decision is premature at the present time.

Consolidated Statement of Operations and Comprehensive Loss (in U.S. Dollars)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Revenue	\$ 3,350,570	\$ 6,299,811	\$ 7,211,847	\$ 12,029,850
Operating Expenses				
Cost of sales	(4,342,546)	(7,805,700)	(8,216,761)	(15,875,398)
Selling, general, and administrative	(7,092,574)	(7,558,302)	(14,040,335)	(15,730,721)
Research and development	(61,176)	(183,516)	(727,322)	(375,827)
Total Operating Expenses	(11,496,296)	(15,547,518)	(22,984,418)	(31,981,946)
Loss from Operations	(8,145,726)	(9,247,707)	(15,772,571)	(19,952,096)
Interest Expense	(1,406,136)	(462,217)	(2,820,889)	(824,434)
Loss before income taxes	(9,551,862)	(9,709,924)	(18,593,460)	(20,776,530)
Income Tax Provision	-	-	-	-
Net Loss	\$ (9,551,862)	\$ (9,709,924)	\$ (18,593,460)	\$ (20,776,530)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	1,698,506	(839,785)	1,386,234	(835,851)
Total Comprehensive Loss	\$ (7,853,356)	\$ (10,549,709)	\$ (17,207,226)	\$ (21,612,381)

The following provides a summary of quarterly results for each of the eight most recently completed quarters:

Quarter Ended	Revenue	Net Loss	Issued	Fully Diluted
December 31, 2023	\$ 3,350,570	\$ (7,853,356)	\$ (1.81)	\$ (1.52)
September 30, 2023	\$ 3,861,277	\$ (9,353,869)	\$ (2.15)	\$ (1.82)
June 30, 2023	\$ 1,527,250	\$ (8,693,850)	\$ (2.00)	\$ (1.71)
March 31, 2023	\$ 3,528,245	\$ (8,762,761)	\$ (2.02)	\$ (1.73)
December 31, 2022	\$ 6,299,811	\$ (10,549,509)	\$ (2.43)	\$ (2.13)
September 30, 2022	\$ 5,730,040	\$ (11,062,872)	\$ (2.55)	\$ (2.27)
June 30, 2022	\$ 3,232,820	\$ (16,244,361)	\$ (3.74)	\$ (3.57)
March 31, 2022	\$ 516,854	\$ (7,379,482)	\$ (1.80)	\$ (1.73)

Quarter Ending December 31, 2023

Net sales were \$3.4 million for the three months ended December 31, 2023, a decrease of \$3.8 million, or 53.4%, compared to \$7.2 million for the same period in fiscal 2023. The decrease in net sales is due to unit bookings in the quarter ended December 31, 2023 of 29 units, down from 48 units recorded during the same period in fiscal 2023 and a product mix shift in both the U.S. and Australia.

In Australia and New Zealand, net sales for the three months ended December 31, 2023 (FY 2024), were \$1.2 million or \$1.3 million lower than the \$2.5 million recorded for the same period in fiscal 2023 and the average sales price per unit was \$165 thousand compared to \$195 thousand in fiscal 2023. The change in average sales price per unit reflects pricing actions taken by management as well as product and customer mix changes. Units booked were seven in the three months ended December 31, 2023 (FY 2024), compared with 13 units in the same period in fiscal 2023.

Sales in the U.S. for the three months ended December 31, 2023 were \$2.2 million, or \$1.6 million lower compared to the same period in fiscal 2023 and the average sales price per unit was \$100 thousand compared to \$108 thousand in fiscal 2023. Units booked were 22 in the three months ended December 31, 2023, compared with 35 units in the same period in fiscal 2023.

Total cost of sales was \$4.3 million for the three months ended December 31, 2023, a decrease of \$3.5 million, or 44.9%, compared to \$7.8 million for the same period in fiscal 2023. The decrease in cost of goods sold was due partially to the reduction in volume and partially to cost reductions.

Operating loss was \$8.2 million for the three months ended December 31, 2023, a decrease of \$1.0 million or 11.0% compared to \$9.2 million for the same period in fiscal 2023. The reduction in the operating loss of \$1.0 million was due to lower per unit cost of goods sold (worth \$3.5 million), lower SG&A expenses (\$0.5 million) and lower research and development expenses (\$0.1 million), partially offset by lower revenue (\$3.8 million).

Interest expense was \$1.4 million for the three-month period ended December 31, 2023, compared to \$0.5 million for the same period in fiscal 2023. The increase was attributable to SEA Electric increasing its debt by \$30 million between the end of December 2022 and end of December 2023.

Income tax expense was \$0.0 million for the three months ended December 31, 2023, unchanged from the same period in fiscal 2023.

Six Months Ending December 31, 2023

Net sales were \$7.2 million for the six months ended December 31, 2023, a decrease of \$4.8 million, or 40%, compared to \$12 million for the same period in fiscal 2023. The decrease in net sales is due to unit bookings in the six months ended December 31, 2023 of 60 units, down from 80 units recorded during the same period in fiscal 2023, and a product mix shift in both the U.S. and Australia.

In Australia and New Zealand, net sales for the six months ended December 31, 2023 (FY 2024), were \$2.6 million or \$2.7 million lower than the \$5.3 million recorded for the same period in fiscal 2023 and the average sales price per unit was \$172 thousand compared to \$197 thousand in fiscal 2023. The change in average sales price per unit reflects pricing actions taken by management as well as product and customer mix changes. Units booked were 15 in the six months ended December 31, 2023 (FY 2024), compared with 27 units in the same period in fiscal 2023.

Sales in the U.S. for the six months ended December 31, 2023 were \$4.6 million, or \$2.1 million lower than the \$6.7 million recorded for the same period in fiscal 2023 and the average sales price per unit was \$103 thousand compared to \$126 thousand in fiscal 2023. Units booked were 45 in the six months ended December 31, 2023, compared with 53 units in the same period in fiscal 2023.

Total cost of sales was \$8.2 million for the six months ended December 31, 2023, a decrease of \$7.7 million, or 48.4%, compared to \$15.9 million for the same period in fiscal 2023. The decrease in cost of goods sold was due partially to the reduction in volume and partially to cost reductions.

Operating loss was \$15.8 million for the six months ended December 31, 2023, a decrease of \$4.2 million or 21% compared to \$20.0 million for the same period in fiscal 2023. The reduction in the operating loss of \$4.2 million was due to lower per unit cost of goods sold (worth \$7.7 million), lower SG&A expenses (\$1.7 million), partially offset by higher research and development expenses (\$0.4 million) and lower revenue (\$4.8 million).

Interest expense was \$2.8 million for the six month period ended December 31, 2023, compared to \$0.8 million for the same period in fiscal 2023. The increase was attributable to SEA Electric increasing its debt by \$30 million between the end of December 2022 and end of December 2023.

Income tax expense was \$0.0 million for the six months ended December 31, 2023, unchanged from the same period in fiscal 2023.

The Federal income tax rate for fiscal 2023 and fiscal 2022 was unchanged at 21.0%. Any increase in the effective tax rate was primarily due to the impacts of state taxes and certain permanent items on the Federal income tax rate.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash generated from sales by operations, available cash, borrowings and sale of shares. Principal uses of cash are working capital and operating expense (including lease payments (see schedule below)). SEA has very limited capital investment requirements. We currently forecast SEA will achieve positive Free Cash Flow in calendar year 2025 based on the present plan and until that time, will rely on equity and debt to meet working capital requirements. On December 31, 2023, the Company had \$2.4 million of available cash and cash equivalents.

Short-Term and Long-Term Liquidity Requirements

Our ability to make principal and interest payments on borrowings under our outstanding promissory notes and convertible promissory notes and our ability to fund planned capital expenditures will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other conditions.

Cash Flows

The following table sets forth general information derived from our statement of cash flows for the six month periods ended December 31, 2023 and 2022:

Consolidated Statement of Cash Flows		
<i>(in U.S. Dollars)</i>		
Six Months Ended December 31	2023 (FY 2024)	2022 (FY 2023)
Cash at Beginning (July 1)	\$ 1,432,326	\$ 10,011,935
Net Cash Provided by (Used in) Operating Activities	\$ (8,713,748)	\$ (15,351,588)
Net Flows from Investing Activities	(66,609)	(150,723)
Net Cash Provided by (Used in) Financing Activities	\$ 9,989,872	\$ 6,971,824
Exchange Rate Impact	(269,842)	(139,560)
Change in Cash During the Six Months Ended December 31	\$ 939,673	\$ (8,683,202)
Cash at December 31	\$ 2,371,999	\$ 1,328,733

Cash used in operating activities totaled \$8.7 million for the six months ended December 31, 2023, and \$15.3 million for the same period in fiscal 2023. The primary driver of the use of cash in the six months ending December 31, 2023, was the net loss of \$(18.6) million partially offset by working capital decrease of \$3.0 million and prepaid expenses. In fiscal 2023, cash used in operating activities for the six months ending December 31, 2022 was due to the net loss of \$(20.8) million, changes in working capital, accrued liabilities of \$2.0 million and prepaid expenses.

Cash flows used in investing activities totaled \$(0.1) million and \$(0.2) million.

Cash provided by financing activities totaled \$10.0 million for the six months ended December 31, 2023. The financing inflow was primarily due to additional promissory notes issued on July 19, 2023, for total gross proceeds of \$10.0 million. In the prior period ending December 31, 2022, cash from financing activities was \$7.0 million due to an issuance of convertible notes on July 27, 2022 for \$2 million and issuance of convertible notes on November 10, 2022 for \$5 million.

On November 10, 2022, the Company issued \$5 million convertible notes to four investors under the same terms and conditions as the original convertible notes issued for \$10 million. Also, on July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes. The terms of the original issue were that the Company became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense. Additional costs incurred to obtain the debt will also be amortized through interest expense under the effective interest method.

On February 23, 2023, the Company received a long-term promissory note from a Series A investor (Vestcor) for \$20 million. As of June 30, 2023, \$20 million had been provided to the Company. An additional promissory note for \$10 million was approved on and funds drawn down on July 19, 2023. Total promissory notes as of July 31, 2023 were \$30 million with an interest rate of 12% accruing to the principle. The notes can be paid off prior to this date at the Company's option.

Critical Accounting Policies and Estimates

Basis of Presentation

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (FASB) within its Accounting Standards Codification (ASC). The following represents the more significant of those policies and practices.

Going Concern

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the interim periods ended December 31, 2023, and 2022, the Company reported consolidated net losses of \$(18.6) million and \$(20.8) million, respectively, and had cash flows used in operating activities of \$(8.7) million and \$(15.4) million, respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of its consolidated financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, the Company is in the process of attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company's consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The Company's consolidated financial statements include the accounts of the following entities, wholly owned by the Company as of December 31, 2023:

Name of Entity	Place of Incorporation
SEA Electric Holdings Pty Ltd.	Melbourne, AUS
SEA Automotive Pty Ltd.	Melbourne, AUS
SEA Electric Pty Ltd.	Melbourne, AUS
SEA Electric Vans Latrobe Valley Pty Ltd.	Melbourne, AUS
SEA Electric Asia Ltd.	Bangkok, TH
SEA Electric Ltd.	Auckland, NZ
SEA Electric LLC	Delaware, USA
SEA Electric GMBH	Vienna, AT

The entities listed above have been formed or acquired to support the intended operations of the Company.

New Accounting Pronouncements Recently Adopted

In August 2020, the FASB issued Accounting Standards Update (ASU) 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40), changes that simplified the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company adopted the standard on July 1, 2021. There was no impact upon adoption.

New Accounting Pronouncements Not Yet Adopted

Please see notes to financial statements (Note 2) include elsewhere in this Circular.

Off-Balance Sheet Arrangements. The Company does not have any off-balance sheet arrangements for the year ended June 30, 2023 or for the three months ended December 31, 2023.

Transactions Between Related Parties. On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The lessor's are both stockholders of SEA Electric. Total rent paid under this lease was approximately AUD\$90,032 and AUD\$99,405 for the three months ended December 31, 2023 and 2022, respectively.

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services, which is wholly owned and controlled by a stockholder of the Company.

Consulting Fees Payable to John Pratt

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The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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Cash and Cash Equivalents

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Fair Value Measurements

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Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature, and the carrying value of long-term loans and convertible debt approximates fair value as they bear a market rate of interest.

Product Warranty Costs

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.

Income Taxes

At December 31, 2023 and 2022, the Company has foreign net operating loss carry forwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carry forward period. The Company believes that it is more likely than not that the benefit from the net operating loss carry forwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of December 31, 2023 and June 30, 2023.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. The Company is generally subject to examination by taxing authorities for years ended June 30, 2020 and onwards.

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statement of operations and comprehensive loss.

Subsequent Events

Debt Settlement

In January 2024, the Company entered into a debt restructuring agreement with the holders of the Company's promissory notes and its convertible promissory notes. Pursuant to the terms of the debt restructuring agreement, the principal amount of all outstanding promissory notes and certain of the convertible promissory notes were consolidated into a series of senior secured promissory notes with a face amount of approximately \$50.0 million. The senior secured promissory notes mature in 2027 and bear interest at 12.0% per year. As security for the senior secured promissory notes, the holders were granted a first priority security interest over any and all Company assets. The debt restructuring agreement, among other things, also extended the maturity date for the remaining portion of the Company's existing convertible promissory notes until December 2024. Pursuant to the terms of the debt restructuring agreement, the remaining portion of the convertible promissory notes convert into (i) shares of the Company's common stock, in the event of certain merger transactions or (ii) equity securities of the Company issued in certain

qualified financing transactions. If the remaining balance of the convertible promissory notes has not converted pursuant to (i) or (ii) in the preceding sentence on or before December 31, 2024, then such remaining portion of the convertible promissory notes will be exchanged for senior secured promissory notes on the same terms as the new senior secured promissory notes issued in January 2024.

Merger Agreement

On January 29, 2024, SEA entered into an Agreement and Plan of Merger (the "**Merger Agreement**") with Exro and eTruck VCU Acquisition Inc., an indirect wholly-owned subsidiary of Exro ("**Merger Sub**") that provides for the acquisition of SEA by Exro. The Merger Agreement was amended on March 1, 2024 and March 6, 2024. Under the Merger Agreement, Merger Sub will merge with and into SEA and SEA shall continue its corporate existence under Delaware law as the surviving corporation in the merger and will be an indirect wholly-owned subsidiary of Exro (together with the other transactions contemplated by the Merger Agreement, the "**Transaction**"). Completion of the Transaction will result in a fully integrated next generation power systems provider. A copy of the Merger Agreement is available under Exro's profile on SEDAR+ at www.sedarplus.com.

No other matter or circumstance has arisen since December 31, 2023 that has significantly affected, or, to the best of our knowledge, may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future fiscal years.

Material Trends and Uncertainties

External factors can impact our business. These include changes in government policies, increasing inflation and interest rates, supply chain constraints, and geopolitical events. The impact of any of these factors is uncertain, both in timing and magnitude. In addition, although the impact is lessening, the extent to which the COVID-19 pandemic may impact our business or our suppliers in future periods remains uncertain and unpredictable.

Our outlook for future growth in sales of our power system depends upon the various economic and regulatory conditions, and on our ability to manage through supply chain issues that have, and could continue to, limit the level to which we can increase output in the near term.

The long-term outlook is positive based on global pressures to reduce emissions from vehicles, continuing support from governments and regulators (e.g., EPA and CARB) and our expectation that the cost gap between traditional ICE vehicles and Zero Emission Vehicles will continue to narrow.

Inflation Reduction Act. On August 16, 2022, the Inflation Reduction Act of 2022, or IRA, was signed into law. The IRA extends the existing tax credit for electric vehicles and establishes a new tax credit for used electric vehicles, as well as establishes a new tax credit for commercial ZEVs. Under the IRA, commercial ZEVs will be eligible for a federal tax credit of up to the lesser of 30% of the sales price or the incremental cost of a comparable ICE-engine vehicle, capped at \$7,500 for vehicles under 14,000 pounds and \$40,000 for all others. In addition, governmental entities may also be eligible to claim these credits. Vehicles' final assembly must be in North America to be eligible for the federal tax credit, but commercial vehicles are exempt from the battery or mineral sourcing requirements that apply to consumer electric vehicles. The federal tax credit on charging equipment has been extended through 2032. For commercial uses, the tax credit is 6% with a maximum credit of \$100,000 per unit. The equipment must be placed in a low-income community or non-urban area. The IRS is still in the process of releasing further guidance on specific aspects of the aforementioned credits. The announcement of the IRA and the delay in receiving IRS guidance as to the roll-out of the new tax credits has reduced the number of customer orders during the fourth quarter of 2022 and the first quarter of 2023, as many existing or potential customers are waiting to place orders until they are certain of the amount of tax credits available per ZEV. Furthermore, other government programs, including certain state programs (California, New Jersey and others), recently announced new funding and regulatory initiatives that are launching in 2024 and could be impacting purchasing decisions in 2024.

Supply-Chain challenges. There were significant delivery delays from many suppliers in 2020 and through most of 2022. As a result of these supply chain challenges, we have focused on maintaining or growing our inventory of critical components, such as batteries or motors, and where necessary added new suppliers. We expect supply chain challenges may continue as a result of ongoing international trade friction and concerns over availability of scarce minerals. We are constantly evaluating opportunities to reduce supply chain risks through sourcing actions, expanding our supply base and potential for long-term contracts.

Cost increases. Increased costs have been incurred due to inflation resulting from various supply chain disruptions and other disruptions caused by the COVID-19 pandemic and general global economic conditions. The cost of raw materials, manufacturing equipment, labor and shipping and transportation has increased considerably. If we are unable to fully offset higher costs through price increases or other measures, we could experience an adverse impact to our business, prospects, financial condition, results of operations and cash flows.

SHARE CAPITAL

The authorized capital stock of the Company consists of 8,500,000 shares of common stock and 4,000,000 shares of preferred stock, consisting of (a) 1,500,000 shares designated Series A Preferred Stock (the “**Company Series A Preferred Stock**”) and (b) 2,500,000 shares designated Series B Preferred Stock (“**Company Series B Preferred Stock**”). As of the date of this Circular, (i) 2,968,202 shares of Company Common Stock (excluding treasury shares) were issued and outstanding and no shares of Company Stock were held by the Company in its treasury, (ii) 1,376,117 shares of Company Series A Preferred Stock were issued and outstanding, and no shares of Company Series A Preferred Stock were held by the Company in its treasury, (iii) no shares of Company Series B Preferred Stock were issued and outstanding and no shares of Company Series B Preferred Stock were held by the Company in its treasury, (iv) 432,806 shares of common stock were reserved for issuance pursuant to restricted stock units awarded pursuant to the Company’s equity incentive plan, (v) 61,942 shares of Company Series A Preferred Stock were reserved for issuance pursuant to the options agreement with Eight Capital, (vi) 200,004 warrants are issued and 200,004 shares of common stock were reserved for issuance pursuant to the 200,004 issued and outstanding warrants, and (viii) 236,573 shares of common stock were reserved for issuance upon conversion of the convertible notes issued by the Company. No shares of capital stock of the Company are owned by any subsidiary of the Company. All outstanding shares of capital stock and other voting securities or equity interests of each Subsidiary of the Company have been duly authorized and validly issued, fully paid and nonassessable.

Each holder of record of common stock, as such, shall be entitled to one vote for each share of common stock held of record by such holder on all matters on which stockholders generally are entitled to vote.

The Company may not do any of the following without the written consent or affirmative vote of holders of (i) at least seventy-five percent (75%) of the outstanding voting power of the common stock and preferred stock voting together as one class and (ii) at least fifty percent (50%) of the outstanding voting power of the Series A Preferred Stock voting separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void ab initio and of no force or effect: (i) undertake a capital reorganization involving a stock split, stock purchase, stock conversion, merger, subdivision or consolidation of shares of capital stock, or any other reorganization, or alteration of any of the capital stock of the Company where the Company neither pays nor receives cash, (ii) fail to comply with Section 9.4 of the Shareholders’ Agreement, by and among the Company and the shareholders party thereto, dated as of May 31, 2022, as it may be amended and/or restated from time to time (the “**Shareholders’ Agreement**”), with respect to the issuance of new capital stock of the Company, if the Shareholders’ Agreement is still in effect; or (iii) amend any provision of certificate of incorporation or bylaws, including any amendment by merger, consolidation, conversion or otherwise.

The Company shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Company (other than dividends on shares of common stock payable in shares of common stock or rights or options exercisable for common stock) unless the holders of the Series A Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each

outstanding share of Series A Preferred Stock in an amount at least equal to that dividend per share of Series A Preferred Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into common stock and (B) the number of shares of common stock issuable upon conversion of a share of Series A Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend; provided that, if the Company declares, pays or sets aside, on the same date, a dividend on shares of more than one (1) class or series of capital stock of the Company, the dividend payable to the holders of Series A Preferred Stock shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series A Preferred Stock dividend.

On any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Series A Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of Series A Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter.

At any time when shares of Series A Preferred Stock are outstanding, the Company shall not do any of the following without the written consent or affirmative vote of the holders of at least fifty percent (50%) of the outstanding voting power of the Series A Preferred Stock voting separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void ab initio and of no force or effect: (i) issue any further Series A Preferred Stock or any other shares of capital stock ranking senior in priority to the Series A Preferred Stock; (ii) declare or pay dividends on any of the common stock, without also declaring and paying at a minimum the same dividend on each share of Series A Preferred Stock on an as converted basis; (iii) pay distributions to any shares of common stock unless and until all current and declared but unpaid dividends and all other amounts which are due and payable but unpaid to the holders of Series A Preferred Stock, have been paid to the holders of the Series A Preferred Stock, or declared and set apart for payment in respect of each outstanding share of Series A Preferred Stock; or (iv) liquidate, dissolve or wind up the business and affairs of the Company, effect any merger or consolidation or conversion, or consent to any of the foregoing.

Preferred stockholders have the right to convert their stock into common stock on a one-to-one basis, subject to the conversion ratio and mechanics described in the certificate of incorporation. In the event SEA undergoes an initial public offering with expected gross proceeds of not less than US\$75,000,000 with shares to be listed on the Nasdaq Stock Market's National Market or the New York Stock Exchange, all outstanding Preferred Stock will be converted into common stock via the conversion process described above. Preferred stockholders holding at least 74,500 (or as such number may be adjusted by the Directors to account for any capital reorganization) shares of Series A Preferred Stock or Series B Preferred Stock are entitled to a right of first offer for any new shares or securities that SEA proposes to issue subject to the exceptions detailed in the Shareholder's Agreement dated May 31, 2022.

Warrants

There are 200,004 warrants issued and outstanding. Each warrant can be exercised to receive one share of SEA common stock. Upon closing of the merger between SEA and Exro, the parties have agreed that each warrant will be replaced by a corresponding Exro warrant. If the proposed merger has not occurred on or prior to June 30, 2024, SEA and the warrant holders have agreed that, upon consummation of certain capital raising to occur on or prior to December 31, 2024, the term "Exercise Price" as used in each of the existing warrants shall be an exercise price per share equal to (x) the enterprise value of the Company as determined in such capital raise divided by (y) the outstanding number of all shares of capital stock of the Company (on an as-converted basis) issued and outstanding on the date of exercise, assuming exercise or conversion of all outstanding vested and unvested options, warrants and other convertible securities, but excluding all then existing convertible promissory notes or similar obligations then multiplied by (z) 85%.

Debt Securities

Please see the discussion of debt securities included in the interim MD&A above under the heading “*Subsequent Events – Debt Settlement*”.

CONSOLIDATED CAPITALIZATION

Except as described in the preceding description of the Company’s debt securities, since December 31, 2023, there have been no material changes in the share and loan capital of SEA, whether on a consolidated basis or otherwise.

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

The following table sets forth information about SEA Shares that may be issued under the Options Agreement between the Company and Eight Capital. Treatment of SEA’s Options following completion of the Merger is described in the Circular under the heading “*Information about Exro, Merger Sub, SEA and the Combined Company*”.

Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options
Eight Capital Options Agreement	61,942 shares of Series A Preferred Stock	\$ 40.1995
Granted	61,942 shares of Series A Preferred Stock	40.1995
Exercised	0	N/A
Forfeited	0	N/A
Outstanding at the date of this Circular	61,942 shares of Series A Preferred Stock	\$ 40.1995
Vested and exercisable at the date of this Circular	61,942 shares of Series A Preferred Stock	\$ 40.1995

Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans

75,863 shares of SEA common stock remain available to be awarded under SEA’s existing incentive plan.

PRINCIPAL SHAREHOLDERS OF SEA

The following table sets forth certain information with respect to beneficial ownership of SEA Shares as of the date of this Circular, except as otherwise noted, as to:

- each person (or group of affiliated persons) known by SEA to own beneficially more than 10% of its outstanding SEA Shares;
- SEA’s named executive officers;
- each of SEA’s directors and director nominees; and
- all of SEA’s directors and executive officers as a group.

Except as otherwise indicated, all of the shares indicated in the table are shares of SEA Shares and each beneficial owner has sole voting and investment power with respect to the shares set forth opposite his, her or its name. For the purposes of calculating percentage ownership as of the date of this Circular, 4,344,319 shares of SEA Common Stock and SEA Series A Preferred Stock were outstanding. Unless otherwise indicated, the address of each of the individuals and entities named below is: c/o SEA Electric Inc, 436 Alaska Ave, Torrance, California, 90503.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Bellatron Pty. Ltd. ⁽¹⁾	Ordinary Shares: 980,388 Series A Preferred Stock: 1,007	Ordinary Shares: 33.03% Series A Preferred Stock: 0.07%
Margfair Pty. Ltd. ⁽²⁾	Ordinary Shares: 276,141 Series A Preferred Stock: 1,007	Ordinary Shares: 9.30% Series A Preferred Stock: 0.07%
Aus-Care Pty. Ltd. ⁽³⁾	Ordinary Shares: 820,088 Series A Preferred Stock: 15,803	Ordinary Shares: 27.63% Series A Preferred Stock: 1.15%
Bell Allen Holdings Pty. Ltd. ⁽⁴⁾	Ordinary Shares: 58,414	Ordinary Shares: 1.97%
Kanina Hall Pty. Ltd. ⁽⁵⁾	Ordinary Shares: 240,083 Series A Preferred Stock: 1,007	Ordinary Shares: 8.09% Series A Preferred Stock: 0.07%
Farr (Super) Pty. Ltd. ⁽⁶⁾	Ordinary Shares: 30,528	Ordinary Shares: 1.03%
Encompass Capital Advisors LLC ⁽⁷⁾	Ordinary Shares: 14,894 Series A Preferred Stock: 187,004	Ordinary Shares: 0.50% Series A Preferred Stock: 13.59%
Vestcor Inc. ⁽⁸⁾	Ordinary Shares: 16,667 Series A Preferred Stock: 195,883	Ordinary Shares: 0.56% Series A Preferred Stock: 14.23%
Zola Global and Zola Ventures ⁽⁹⁾	Series A Preferred Stock: 174,132	Series A Preferred Stock: 12.65%

(1) Bellatron Pty. Ltd. is a trust. Warren Fairweather is authorized to vote the shares and is the father of CEO and Founder, Tony Fairweather.

(2) Margfair Pty. Ltd. is a trust. Warren Fairweather is authorized to vote the shares and is the father of CEO and Founder, Tony Fairweather.

(3) Aus-Care Pty. Ltd. is a trust. John Bell-Allen is authorized to vote the shares and is a member of the SEA Electric Inc. Board.

(4) Bell-Allen Holdings Pty. Ltd. is a trust. John Bell-Allen is authorized to vote the shares and is a member of the SEA Electric Inc. Board.

(5) Kanina Hall Pty. Ltd. is a trust. Andrew Farr is authorized to vote the shares and is the father-in-law of CEO and Founder Tony Fairweather.

- (6) Farr (Super) Pty. Ltd. is a trust. Andrew Farr is authorized to vote the shares and is the father-in-law of CEO and Founder Tony Fairweather.
- (7) Encompass is an investment firm. Their securities are held in four funds managed by Encompass.
 Encompass Capital Energy Transition Master Fund LP owns 4,951 Series A Shares. Encompass Capital Advisors LLC is its investment manager.
 Encompass Capital E L Master Fund, LP owns 6,184 shares of common stock and 54,758 Series A Shares. Encompass Capital Advisors LLC is its investment manager.
 Encompass Capital Master Fund LP owns 7,960 shares of common stock and 102,235 Series A Preferred Shares. Encompass Capital Advisors LLC is its investment manager.
 BEMAP Master Fund Ltd. owns 750 shares of common stock and 25,060 Series A Shares. Encompass Capital Advisors LLC is its sub-manager.
- (8) Vestcor Inc. is an independent not-for-profit company that provides global investment management services to various public sector client groups. Their securities are held in two funds managed by Vestcor.
- (9) Zola Global and Zola Ventures are investment firms. Their securities are held in three funds managed by Zola Global and Zola Ventures.

DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors (“Board of Directors” or “Board”)

The Board of Directors of SEA consists of five directors. The term of office for each director is until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal.

The following table sets forth the name, age, province and country of residence, positions held with SEA, principal occupations and duration of service of the current directors of SEA. Additional biographical information for each individual is provided below.

Name, Province and Country of Residence	Age	Position with SEA	Director Since	Principal Occupation
Angela Strand, Oregon, USA (1) (2)	56	Chair of the Board	2022	Business Executive and Board Member
Tony Fairweather, Florida, USA	52	Chief Executive Officer and Director	2012	Chief Executive Officer of SEA
John Bell-Allen, Queensland, Australia (3)	63	Director	2018	CEO and Investor
John MacLeod, California, USA (1) (3)	66	Director	2022	Business Executive and Board Member
John Pratt, Illinois, USA (1) (2)	68	Director	2021	Investment Banking Executive and Board Member

- (1) Member of the Finance & Audit Committee.
 (2) Member of the Corporate Governance and Nominating Committee.
 (3) Member of the Compensation Committee

Angela Strand

Angela is an experienced executive, advisor, director and serial entrepreneur with a 25-year track record of founding and building disruptive, technology-based products and companies across a range of diverse global industries, including e-mobility, infrastructure, technology, software and transportation & logistics. Angela joined the SEA Electric Board of Directors in 2022 and was appointed Chair in 2023. She also serves as Chair of the Corporate Governance and Nominating committee and is a member of the Finance & Audit committee. Considered a pioneer in the commercial electric vehicle sector, she helped scale early commercial EV fleet adoption in North America. Within EV infrastructure, Angela was a co-founder of In-Charge Energy, and a launch advisor for Duke Energy’s eTransEnergy business. She is a named inventor

on 7 issued patents. She is presently the managing director of Strand Strategy, a boutique technology advisory firm and serves as an independent director on multiple public and private boards. Angela holds an MBA in marketing and a B.S. in communications from the University of Tennessee.

Tony Fairweather

Tony has a career founded in transportation. Graduating with an honours Degree in Mechanical Engineering he commenced his corporate career in FMCG and then in Management Consulting, whilst completing his Master of Business (Entrepreneurship). Tony later joined TNT Express (now FedEx) during which time he completed an MBA (Majoring in International Business). Tony started his entrepreneurial career in 2007, importing commercial vehicles brands via exclusive distribution agreements in Australia. In 2012 he identified the rapidly evolving electric commercial vehicle industry) and commenced the development of a proprietary 100% electric SEA-Drive® power-system. At the same time SEA Electric was established. Commercialisation occurred in 2017 and since that time, SEA Electric has deployed 100% electric delivery vehicles into 8 countries across 5 continents. More than 3 million miles of collective operation and the granting of the SEA-Drive® patent in 14 jurisdictions, has enabled SEA Electric to obtain lucrative OEM supply contracts with both Mack Trucks and Hino Trucks (Toyota), build a substantial global backlog and win numerous awards.

John Bell-Allen

John is CEO and Managing Director of Aus-Care. He sits on five external boards as a Non-Executive Director. He is a member of the Compensation Committee.

John Pratt

John is the retired chairman of Bank of America Merrill Lynch's Global Industrials Investment Banking Group and was also the head of Bank of America's Investment Banking office in Chicago. He has more than 30 years of investment banking experience including extensive experience in mergers and acquisitions, capital raising and corporate strategy. John joined the SEA Electric Board of Directors in 2021 and served as Chair until 2023. He also serves as Chair of the Finance & Audit Committee and is a member of the Corporate Governance and Nominating Committee. John is also a board member of TFI International Inc. John graduated from Northwestern University with a B.A. in Political Science and Economics, and an MBA from the Kellogg School of Management .

John MacLeod

John is a successful global executive with deep experience across technology, automotive, entertainment and retail sectors. Over his career as a senior executive, strategic advisor and board member, he has helped create value worth billions of dollars via organic growth, partnerships, acquisitions, and new ventures. John joined the SEA Electric Board of Directors in 2022. He serves as Chair of the Compensation Committee and is a member of the Corporate Governance and Nominating Committee. John is Executive Director of Rivet360, a company that he founded and served as CEO for 10 years until 2023. Rivet360 is a digital media and technology company that combines content, location technologies and artificial intelligence (AI). It produces award-winning podcasts and video content for brands and publishers and developed proprietary IP for delivering content to cars, mobile phones, and businesses. Prior to Rivet, John was Executive Vice President (C-Suite) at NAVTEQ, the global leader in GPS navigation data. He led global product, marketing, sales and strategy teams and championed its expansion into software, traffic, and China. Over an eleven-year period, he helped revolutionize how people traveled from point A to point B by delivering the world's best digital map and traffic data. He became a recognized leader in GPS location services and was integral to NAVTEQ's 600% revenue growth through organic sales, partnerships, and acquisitions. NAVTEQ went public on NYSE at \$2.1 billion value and sold to NOKIA for \$8.1 billion. Prior to NAVTEQ, John spent nearly 20 years working for The Walt Disney Company and Sony Corporation in senior finance and development roles to develop new global entertainment offerings, including theme parks, retail centers and hotels. Major projects include Disney's Epcot Center, Disneyland Paris and Sony Entertainment Centers in San Francisco, New York, Berlin and Tokyo. John earned a B.A., with honors,

from Harvard University, concentrating in Economics. He has an MBA from Stanford University. He has been awarded four patents addressing location technologies and content.

Named Executive Officers

The following table sets forth the name, age, province and country of residence, positions held with SEA, principal occupations and duration of service with SEA for each current names executive officer of SEA. Additional biographical information for each individual is provided below.

Name, Province and Country of Residence	Age	Position with SEA	Years with SEA
Tony Fairweather, Florida, USA	52	Chief Executive Officer and Director	12
Phil Tighe, Michigan, USA	70	Chief Financial Officer	2
Dave Whelan, Indiana, USA	51	Chief Operating Office	2
Mike Menyhart, Illinois, USA	48	Chief Commercial Officer	2
Syed Rahman, Michigan, USA	43	Senior Vice President Finance and Strategy	2

Tony Fairweather

See “- Board of Directors” above.

Phil Tighe

Phil spent 35 years with Ford Motor Company in finance leadership roles in Australia, the U.S., Venezuela, Japan, Germany, Mexico, Thailand and China. The majority of Phil’s career was spent as Chief Financial Officer of affiliate companies or internal divisions. Phil was also the Executive Director of Strategy for Ford’s operations in the Asia-Pacific Region and this included leadership of major expansion programs in China and India. In 2012, Phil joined the Blue Bird Corporation as Chief Financial Officer and spent 9 years in that position, including helping to take the company public in 2014. Phil has a BCom degree in economics from the University of Melbourne and an MBA from the Royal Melbourne Institute of Technology in Australia.

Dave Whelan

Accomplished business leader with 26 years of experience leading operational transformations, maximizing bottom-line savings, and driving profitability. Currently, leveraging operational experience from well-established heavy equipment, bus, and truck companies to help transform the class 5 through 7 truck space through electrification at an early growth EV company. Drawing from a diverse set of skills in all facets of operations to develop the manufacturing strategy and product offerings for the company at the same time identifying and implementing key processes and systems along with KPIs to support the operations going forward. Daily, leading the operations team in US and Australia across multiple manufacturing and engineering centers of excellence to drive safety, quality, profitability, and growth.

Mike Menyhart

Mike Menyhart is Chief Commercial Officer at SEA Electric. Mike leads the Americas business, as well as sales, marketing, and business development. He is part of the team charged with executing two major OEM commercial contracts (Mack and Hino). During his career, Mike has developed deep expertise in strategy, corporate development, P&L management, and change management. He has worked with start-ups, a strategy consulting firm, and Fortune 500 environments to create, build and drive strategies to grow revenue, enhance shareholder value, and drive market leadership. He joined SEA Electric from Genpact,

where he spent more than three years as the Global Growth Leader for the financials services business. Prior to that, Mike worked with the Accenture, Fifth Third Bank and SunTrust (now Truist). He also has a long record of multi-cultural experiences, having worked across the United States, Europe, India and Australia. Mike earned a B.A. from Miami University (Oxford, OH) and is an alum of the Harvard Business School.

Syed Rahman

Syed is the Senior Vice President of Finance and Strategy at SEA Electric. Syed plays a critical role at SEA in both Finance and in helping to develop new growth initiatives. Syed commenced working at Ford Motor Company and had a successful career both in the U.S. and in Asia (Thailand and China). After leaving Ford, Syed worked at Delphi and several major EV start-ups (both in China and the U.S.) where he gained significant knowledge about the EV business and a deep understanding of the business issues faced by start-up operations. Prior to joining SEA, Syed was the co-founder of a company that was focused on reducing the emissions on ocean-going cargo ships. Since joining SEA, Syed has been involved in all of the major accomplishments at the firm. Syed has a B.S. in Mechanical Engineering and a B.B.A. in Finance from the University of Michigan.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of SEA, no director or executive officer of SEA is, or has been within 10 years before the date of the Circular, a director, chief executive officer or chief financial officer of any company that:

- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued while the director or executive officer was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued after the proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while he was acting in the capacity of a director, chief executive officer or chief financial officer.

To the knowledge of SEA, other than as disclosed below, no director or executive officer of SEA or shareholder holding a sufficient number of securities of SEA to affect materially the control of SEA:

- (i) is, or has been within 10 years before the date of the Circular, a director or executive officer of any company (including SEA) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or its assets.

To the knowledge of SEA, no director or executive officer of SEA or shareholder holding a sufficient number of securities of SEA to affect materially the control of SEA has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

Conflicts of interest

Except as described in the Circular and this Appendix B, there are no existing material conflicts of interest between SEA and any of its directors or officers.

STATEMENT OF EXECUTIVE COMPENSATION

The following compensation discussion and analysis provides information regarding all significant elements of compensation paid, awarded or otherwise provided by SEA to its named executive officers (defined below). Specific information is provided for Tony Fairweather, Phil Tighe, Dave Whelan, Mike Menyhart and Syed Rahman (collectively, the “**named executive officers**” or the “**NEOs**”). Information about the compensation awarded to the named executive officers can be found in the “Summary Compensation Table” and related compensation tables below.

Operation of the Compensation Committee

The Compensation Committee is appointed by the SEA Electric Board to approve and evaluate all of SEA Electric’s compensation programs, policies and plans, as they affect the executive officers. During fiscal 2023, two independent members of the SEA Electric Board of Directors (John MacLeod and John Bell-Allen), oversaw activity related to executive compensation. For FY 2023, discussions and decisions relating to compensation occurred during general meetings of the SEA Electric Board of Directors. Compensation decisions made and approved by the Board during FY 2023 were informed by peer-conducted market studies overseen and recommended by an independent consultant from AON.

The current Compensation Committee was formed and approved by the Board during FY 2024. The current members of the Compensation Committee are John MacLeod and John Bell-Allen with John MacLeod serving as Chair of the committee.

The Compensation Committee is directly responsible for the evaluation of the performance of the CEO, and the associated adjustments to the elements of his compensation package.

With respect to the executive officers, the Compensation Committee receives compensation recommendations from the CEO and approves or modifies them in the exercise of its judgment. Ultimately, the Compensation Committee has full discretion to make compensation recommendations to the Board for a SEA Electric executive officer’s total compensation package.

Compensation Philosophy

SEA Electric’s compensation policies are designed to reward management based on its financial results and therefore takes into account SEA Electric’s operating results and expectations for continued growth. Overall, SEA Electric seeks to provide competitive compensation packages that allow it to retain key executives, while being tailored to the unique characteristics of its business. SEA Electric utilized recommendations made by an external compensation consultant, AON Consulting Inc. (“**AON**”), for total compensation recommendations for its named executive officers. AON used its proprietary market data of private corporate peer companies comparable to SEA Electric to make its total compensation recommendations.

SEA Electric wishes to reinforce the importance of achieving key performance indicators in its compensation structure. To that end, SEA Electric, using a percentage of base pay, individually sets discretionary bonus targets for its named executive officers. These targets, along with the base salary and a non-cash compensation incentive (in the form of a Restricted Stock Unit – RSU, Grant), were recommended to the Board of Directors by the independent compensation consultant from AON. Additional information regarding SEA Electric’s Board engagement of this consultant can be found in the “Engagement of a Compensation Consultant” section below.

SEA Electric established the SEA Electric 2022 Stock Incentive Plan as a non-cash compensation incentive to reward SEA Electric’s executives and key employees.

SEA Electric believes its incentive compensation philosophy should be shaped to motivate its executives to achieve SEA Electric’s goals and to align their interests with those of its shareholders.

Engagement of a Compensation Consultant

The Compensation Committee has the authority and access to funds to engage outside compensation consultant(s) to analyze compensation issues. SEA Electric retained the services of an independent consultant, AON, for executive compensation recommendations during FY 2023. The Compensation Committee continues to utilize an independent consultant, AON, on an as-needed basis regarding specific executive compensation projects.

Executive Compensation-Related Fees

For FY 2023, the aggregate fees billed by AON were \$378,228. For FY 2022, the aggregate fees billed by AON were \$36,320.

Risk Policy Framework

In addition to the general risk policy framework, SEA Electric believes that its incentive compensation does not encourage, and thereby limits, unnecessary and excessive risk taken by executives and employees. All incentive compensation of executive officers is fully subject to approval by the SEA Electric Board of Directors. The Compensation Committee engages with an independent consultant (AON) for recommendations on executive compensation. The Compensation Committee makes recommendations to the SEA Electric Board of Directors in matters regarding executive compensation. The Board of Directors reviews and approves all compensation matters for its executive officers.

Any incentive compensation payments for named executive officers and key employees must be approved by the Board of Directors before processing any corresponding payments to eligible employees.

Summary Compensation Table

The following table summarizes the compensation of the named executive officers for fiscal 2023, fiscal 2022, and fiscal 2021:

Name and principal position (a)	Year (b)	Salary (\$) (c)	Share-based awards (\$80 FMV) (d)	Option-based awards (\$) (e)	Non-equity incentive plan compensation (\$) (f)		Pension value (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Annual incentive plans (f1)	Long term incentive plans (f2)			
					Tony Fairweather, CEO	2023			
	2022	\$424,396	N/A	N/A	\$625,000		N/A	\$301,347	\$1,350,743
	2021	\$578,528	N/A	N/A	N/A		N/A	\$415,319	\$993,847
Phil Tighe, CFO	2023	\$450,000.00	\$2,633,840	N/A	N/A		N/A	\$1,800	\$3,085,640
	2022	\$203,793.03	N/A	N/A	N/A		N/A	\$750	\$204,543
	2021	N/A	N/A	N/A	N/A		N/A	N/A	N/A
Dave Whelan, COO	2023	\$399,489.50	\$1,613,520	N/A	N/A		N/A	\$195,133	\$2,208,142.5
	2022	\$133,332.00	N/A	N/A	N/A		N/A	\$600.	\$133,932

Name and principal position (a)	Year (b)	Salary (\$) (c)	Share-based awards (\$80 FMV) (d)	Option-based awards (\$) (e)	Non-equity incentive plan compensation (\$) (f)		Pension value (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Annual incentive plans (f1)	Long term incentive plans (f2)			
						2021			
Mike Menyhart, CCO	2023	\$400,000.08	\$1,613,520	N/A	N/A		N/A	\$1,800.00	\$2,015,320.08
	2022	\$300,000.00	N/A	N/A	N/A		N/A	\$13,549	\$313,549
	2021	\$105,769.25	N/A	N/A	N/A		N/A	N/A	\$105,769.25
Syed Rahman SVP	2023	\$258,333.30	\$1,132,320	NA	NA		NA	\$12,133	\$1,402,786.3
	2022	\$155,406.58	NA	NA	NA		NA	\$6,058	\$161,464.58
	2021	NA	NA	NA	NA		NA	N/A	N/A

- (c) Mr. Fairweather's FY 2023 figure includes \$154,706.06 paid on Australian payroll expat reimbursement, from period September 2022 to August 2023 to cover a tax liability incurred on his calendar year 2021 and calendar year 2022 personal expenses due to incorrect classification of reimbursement at the time of processing, as approved by the SEA Electric Board on August 18, 2022.
- (d) The SEA Electric 2022 Stock Incentive Plan was adopted on July 21, 2022. Corresponding awards for Messrs. Tighe, Whelan, and Menyhart were approved that same date with an effective grant date of August 1, 2022 and a FMV of \$80 per unit as noted in the Board meeting minutes from that date. Mr. Fairweather's grant was approved by the Board on August 4, 2022 with an effective grant date of August 1, 2022 and a FMV of \$80 per unit. These figures are included in FY 2023. No other share-based award program was in place for FY 2021 or FY 2022.
- (e) SEA Electric does not offer option-based awards.
- (f) FY 2022 Mr. Fairweather received a \$625,000.00 bonus earned in FY 2021.
- (f) SEA Electric did not pay non-equity incentive plan compensation to Messrs. Tighe, Whelan or Menyhart for FYs 2021-2023.
- (h) FY 2023, Mr. Fairweather received additional compensation of \$399,721 related to annual housing allowance, auto reimbursement, Australian Superannuation (Pension) deposit, reimbursement of personal travel allowance, reimbursement of tax liability incurred on company-funded expenses, and 401k matching.
- (h) FY 2023, David Whelan was paid a signing bonus as part of his compensation package to join SEA Electric.
- (h) FY 2023 David Whelan received a \$13,333.33 401k match.
- (h) Messrs. Tighe and Menyhart did not participate in the 401k program during FY 2022 or 2023.

Base Salary

The Compensation Committee has the authority to set the CEO's compensation. The Compensation Committee receives compensation recommendations from the CEO for the other named executive officers and approves or modifies them in the exercise of its judgment based on the SEA Electric Board's interactions with the named executive officers. Compensation recommendations for named executive officer are approved by the Board of Directors.

For FY 2023, Mr. Fairweather's contract was amended effective August 1, 2022 to provide for \$600,000.00 per annum in base salary, up to \$30,000.00 per annum of discretionary travel expenses, \$12,500.00 per month for housing expenses and \$4,000.00 per month for auto expenses.

For FY 2023, Mr. Menyhart's base salary was increased to \$400,000.00 per annum and Mr. Rahman's salary was increased to \$350,000.

The CEO annually reviews the performance of SEA Electric's other named executive officers and subsequently presents conclusions and recommendations regarding these officers, including proposed salary adjustments, to the Compensation Committee. The Compensation Committee makes the final decision regarding recommendations taken for board consideration for any adjustments or awards. The review of performance by the Board of Directors of the CEO and the CEO of other executive officers, is a subjective assessment of each executive's contribution to SEA Electric, division performance, leadership qualities, strengths and weaknesses as well as the individual's performance relative to goals set by the CEO and the Board of Directors. SEA has used AON to provide relevant industry data to help in the assessment of the competitiveness of the overall compensation package of senior employees.

Incentive Bonus Plan

SEA Electric does not have a formal bonus incentive plan. Rather, executive and key employees may have discretionary bonus targets set as a percentage of base salary. Base salary, target bonus rate, and non-cash incentives recommendations of the NEOs are made to the Compensation Committee by an independent consultant, (AON), using proprietary market data of comparable peer companies, available to the independent consultant. The Compensation Committee uses the recommendations of the independent consultant to make committee recommendations for Board Action and Approval.

The target bonus for named executive officers as well as eligible key employees, are discretionary. As such, they are paid at the sole discretion of the SEA Electric Board of Directors based upon factors the Board deems appropriate, (e.g., company performance, individual performance and target achievements, etc.).

No discretionary bonuses were approved for payment in FY 2023.

Awards made in previous years under the Incentive Bonus Plan are reported in the Non-Equity Incentive Plan Compensation column of the "Summary Compensation Table".

Additional Cash Bonus Compensation

Other discretionary bonuses, in addition to the bonus structure described above, are available to Named Executive Officers, based upon the recommendation of the Compensation Committee and subsequent approval of the Board Of Directors.

Regardless of the type of bonus under consideration, the Compensation Committee looks to the recommendation of the CEO for named executive bonus eligibility and target amounts, except with respect to his own bonus which is solely decided upon by the Board of Directors.

In addition to the above description, senior management may request spot bonus payments for non-key employees. The purpose of the availability of a spot bonus may be to retain a high-performing and key team contributor, to acknowledge additional effort and performance above and beyond the usual course of duties, or aid in the recruitment of a new employee. These spot bonuses are approved by the Head of Finance and Human Resources at rates which align with the restrictions set forth in the Delegation of Authority. For fiscal 2023, other discretionary bonuses in the amount of approximately \$ \$25,000.00 were approved for payment to four non-executive employees. Bonus awards paid to the NEOs for FY 2023 are disclosed in the "Summary Compensation Table".

Equity Compensation

SEA Electric Stock Incentive Plan - Restricted Stock Unit (RSU) Grant

SEA Electric established the 2022 Stock Incentive Plan (the "Plan") to attract, incentivize and retain employees, outside directors, and consultants through the grant of Awards. The Plan provides for the direct award or sale of shares, the grant of options to purchase shares and the grant of Restricted Stock Units to acquire shares.

Administration of the plan is conducted by members of the SEA Electric Board of Directors, or a committee appointed by the SEA Electric Board. The Board or appointed committee has the full authority and discretion to administer the Plan. To that end, the Board or appointed committee has the authority, subject to terms and conditions of the Plan to:

- a) Select the employees, outside directors and consultants to whom awards may from time to time be granted.
- b) Determine whether and to what extent awards are to be granted.
- c) Determine the number of shares to be covered by each award granted.
- d) Determine the terms and conditions of each award granted hereunder, based on such factors as the committee shall determine.
- e) Modify, amend, or adjust the terms and conditions of any award subject to limitations spelled out in the Plan.
- f) Adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable.
- g) Interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreement relating thereto).
- h) Accelerate the vesting or lapse of restrictions of any outstanding award, based in each case on such considerations as the committee in its sole discretion determines; and to decide all other matters that must be determined in connection with an award, (subject to provisions spelled out within the Plan).

The SEA Electric Board or its appointed committee, has discretion to determine the vesting terms and conditions of each award.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are John MacLeod and John Bell-Allen. None of these persons is or has been an officer or employee of SEA or any of its subsidiaries. In addition, there are no Compensation Committee interlocks between SEA and other entities involving SEA's executive officers and directors who serve as executive officers of such entities.

Outstanding share-based awards and option-based awards

Name (a)	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) (b)	Option exercise price (\$) (c)	Option expiration date (d)	Value of unexercised in-the-money options (\$) (e)	Number of shares or units of shares that have not vested (#) (f)	Market or payout value of share-based awards that have not vested (\$) (g)	Market or payout value of vested share-based awards not paid out or distributed (\$) (h)
Tony Fairweather, CEO	N/A	N/A	N/A	N/A	40,038	\$2,028,338	\$1,684,590
Phil Tighe, CFO	N/A	N/A	N/A	N/A	28,231	\$1,430,170	\$1,250,909

	Option-based Awards				Share-based Awards		
Name (a)	Number of securities underlying unexercised options (#) (b)	Option exercise price (\$) (c)	Option expiration date (d)	Value of unexercised in-the-money options (\$) (e)	Number of shares or units of shares that have not vested (#) (f)	Market or payout value of share-based awards that have not vested (\$) (g)	Market or payout value of vested share-based awards not paid out or distributed (\$) (h)
Dave Whelan COO	N/A	N/A	N/A	N/A	5,042	\$ 255,440	\$ 766,321
Mike Menyhart CCO	N/A	N/A	N/A	N/A	6,154	\$ 311,749	\$ 935,247
Syed Rahman SVP	NA	NA	NA	NA	3,538	\$179,260	\$424,620

- (b-e) SEA Electric does not issue Option-based Awards.
- (g) \$50.66 was used as the FMV to calculate this figure.
- (h) \$50.66 was used as the FMV to calculate this figure.

Incentive Plan Awards

Name (a)	Option-based awards – Value vested during the year (\$) (b)	Share-based awards – Value vested during the year (\$) (c)	Non-equity incentive plan compensation – Value earned during the year (\$) (d)
Tony Fairweather, CEO	N/A	\$1,422,355	N/A
Phil Tighe, CFO	N/A	\$ 833,940	N/A
Dave Whelan, COO	N/A	\$ 510,881	N/A
Mike Menyhart, CCO	N/A	\$ 623,498	N/A
Syed Rahman, SVP	N/A	\$358,521	N/A

(c) Reflects the value of share-based awards vested as of FY 2023 using \$50.66 FMV.

Pension Plan Benefits

SEA Electric does not offer a defined benefit pension plan to its US-based employees. Its Australian-based employees are eligible for a pension plan. The CEO of SEA Electric is the only executive who received benefit of the Australian Superannuation plan. Please see the “Summary Compensation Table” above and the notes thereto for a description of benefits paid to the CEO under the Australian Superannuation plan.

Defined Contribution Plans Table

During FY 2022, SEA Electric established a 401k retirement plan with a 4% match. All eligible employees of SEA Electric are eligible to participate in the 401k plan. All regular and supplemental earnings are eligible for employee deferral into the 401k plan.

Name (a)	Accumulated value at start of year (\$) (b)	Compensatory (\$) (c)	Accumulated value at year end (\$) (d)
Tony Fairweather, CEO	\$6,000	\$14,600	\$20,600
Phil Tighe, CFO	N/A	N/A	N/A
Dave Whelan COO	N/A	\$13,333	\$13,333
Mike Menyhart CCO	N/A	N/A	N/A
Syed Rahman SVP	\$4999.98	\$10,333.30	\$15,222.28

(b) FY 2022, Mr. Fairweather received a \$6,000 401k match.

(b) FY 2022, Mr. Rahman received a \$4,999.98 401k match.

(c) FY 2023, Mr. Fairweather received a \$14,600 401k match

(c) FY 2023 Mr. Whelan received a \$13,333.33 401k match.

(c) FY 2023, Mr. Rahman received a \$10,333.30 401k match

(c) Messrs. Tighe and Menyhart did not participate in the 401k program during FY 2022 or FY 2023.

Deferred Compensation Plans

SEA Electric currently has no deferred compensation plans in place.

Termination and change of control benefits

NEO	Position	Annual Base Salary	Duration of Entitlement for Termination During CIC Protection Period	Other Financial Entitlements
Tony Fairweather	CEO	\$600,000.00	15 Months	15 Months Cobra coverage reimbursement
Phil Tighe	CFO	\$450,000.00	12 Months	12 Months Cobra coverage reimbursement
Dave Whelan	COO	\$400,000.00	12 Months	12 Months Cobra coverage reimbursement
Mike Menyhart	CCO	\$400,000.00	12 Months	12 Months Cobra coverage reimbursement
Syed Rahman	SVP	\$350,000	12 Months	Prorated Bonus

Tony Fairweather, CEO

If Tony Fairweather is terminated for any reason three months prior or within 12 months after a change in control (the “**CIC Protection Period**”), that termination will be considered without cause and will entitle him to the following accrued benefits, which include, but are not limited to, payment of any earned and unpaid base salary through the date of termination, reimbursement for any unreimbursed business expenses through the date of termination, any accrued and unused vacation time, payment of any bonus or incentive award for a performance period completed prior to the termination date and any other vested payments or benefits owed under the terms of any applicable compensation or benefits plan. Subject to Tony satisfying his obligation to provide a written release of claims in a manner reasonably acceptable to the Company and his continued compliance with the covenants included in his employment agreement, which include, but are not limited to, confidentiality, non-disparagement, non-competition, non-solicitation and the return of Company owned property, he will also be entitled to continued payment of his base salary from the date of termination to the 12 month anniversary of the date of termination. However, if the termination occurs during the CIC Protection Period, Tony would be entitled to continued payment of his base salary from the date of termination to the 15 month anniversary of the date of termination. Additionally, Tony will be entitled to reimbursement of the cost of continuation coverage of group health coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended (“**COBRA**”) for a maximum of 12 months unless the termination occurs during the CIC Protection Period for which these benefits will extend for a maximum of 15 months, to the extent Tony elects such COBRA continuation coverage and is eligible and subject to the terms of the health plan and the law. However, such reimbursement shall cease to the extent that Tony is eligible for health benefits from a new employer. Without duplication of any amount payable to Tony under the terms of the applicable incentive plan, the Company shall pay to Tony, a lump sum amount, in cash, equal to that which he would have received had he been employed during the applicable period. Payments and benefits provided shall be in lieu of any termination or severance payments or benefits for which Tony may be eligible under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation. Additionally, the provisions of any applicable Company long-term and equity (or equity based) award agreements and plans will govern the treatment of all other equity (or equity based) awards held by Tony.

Philip Tighe, CFO

If Phil Tighe is terminated for any reason during the CIC Protection Period, that termination will be considered without cause and will entitle him to the following accrued benefits, which include payment of any earned and unpaid base salary through the date of termination, reimbursement for any unreimbursed business expenses through the date of termination, any accrued and unused vacation time, payment of any bonus or incentive award for a performance period completed prior to the termination date and any other vested payments or benefits owed under the terms of any applicable compensation or benefits plan. Subject to Phil satisfying his obligation to provide a written release of claims in a manner reasonably acceptable to the Company and his continued compliance with the covenants included in his employment agreement, which include, but are not limited to confidentiality, non-disparagement, non-competition, non-solicitation and the return of Company owned property, he will be entitled to continued payment of his base salary from the date of termination to the 9 month anniversary of the date of termination. However, if the termination occurs during the CIC Protection Period, Phil would be entitled to continued payment of his base salary from the date of termination to the 12 month anniversary of the date of termination. Additionally, Phil will be entitled to reimbursement of the cost of continuation coverage of group health coverage pursuant to COBRA for a maximum of 9 months unless the termination occurs during the CIC Protection Period for which these benefits will extend for a maximum of 12 months, to the extent Phil elects such COBRA continuation coverage and is eligible and subject to the terms of the health plan and the law. However, such reimbursement shall cease to the extent that Phil is eligible for health benefits from a new employer. Without duplication of any amount payable to Phil under the terms of the applicable incentive plan, the Company shall pay to Phil, a lump sum amount, in cash, equal to that which he would have received had he been employed during the applicable period. Payments and benefits provided shall be in lieu of any termination or severance payments or benefits for which Phil may be eligible under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation. Additionally, the provisions of any applicable Company long-term and equity (or equity based) award agreements and plans will govern the treatment of all other equity (or equity based) awards held by Phil.

Michael Menyhart, CCO

If Mike Menyhart is terminated for any reason during the CIC Protection Period, that termination will be considered without cause and will entitle him to the following accrued benefits, which include payment of any earned and unpaid base salary through the date of termination, reimbursement for any unreimbursed business expenses through the date of termination, any accrued and unused vacation time, payment of any bonus or incentive award for a performance period completed prior to the termination date and any other vested payments or benefits owed under the terms of any applicable compensation or benefits plan. Subject to Mike satisfying his obligation to provide a written release of claims in a manner reasonably acceptable to the Company and his continued compliance with the covenants included in his employment agreement, which include, but are not limited to confidentiality, non-disparagement, non-competition, non-solicitation and the return of Company owned property, he will be entitled to continued payment of his base salary from the date of termination to the 9 month anniversary of the date of termination. However, if the termination occurs during the CIC Protection Period, Mike would be entitled to continued payment of his base salary from the date of termination to the 12 month anniversary of the date of termination. Additionally, Mike will be entitled to reimbursement of the cost of continuation coverage of group health coverage pursuant to COBRA for a maximum of 9 months unless the termination occurs during the CIC Protection Period for which these benefits will extend for a maximum of 12 months, to the extent Mike elects such COBRA continuation coverage and is eligible and subject to the terms of the health plan and the law. However, such reimbursement shall cease to the extent that Mike is eligible for health benefits from a new employer. Without duplication of any amount payable to Mike under the terms of the applicable incentive plan, the Company shall pay to Mike, a lump sum amount, in cash, equal to that which he would have received had he been employed during the applicable period. Payments and benefits provided shall be in lieu of any termination or severance payments or benefits for which Mike may be eligible under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation. Additionally, the provisions of any applicable Company long-

term and equity (or equity based) award agreements and plans will govern the treatment of all other equity (or equity based) awards held by Mike.

David Whelan, COO

If Dave Whelan is terminated for any reason during the CIC Protection Period, that termination will be considered without cause and will entitle him to the following accrued benefits, which include payment of any earned and unpaid base salary through the date of termination, reimbursement for any unreimbursed business expenses through the date of termination, any accrued and unused vacation time, payment of any bonus or incentive award for a performance period completed prior to the termination date and any other vested payments or benefits owed under the terms of any applicable compensation or benefits plan. Subject to Dave satisfying his obligation to provide a written release of claims in a manner reasonably acceptable to the Company and his continued compliance with the covenants included in his employment agreement, which include, but are not limited to confidentiality, non-disparagement, non-competition, non-solicitation and the return of Company owned property, he will be entitled to continued payment of his base salary from the date of termination to the 9 month anniversary of the date of termination. However, if the termination occurs during the CIC Protection Period, Dave would be entitled to continued payment of his base salary from the date of termination to the 12 month anniversary of the date of termination. Additionally, Dave will be entitled to reimbursement of the cost of continuation coverage of group health coverage pursuant to COBRA for a maximum of 9 months unless the termination occurs during the CIC Protection Period for which these benefits will extend for a maximum of 12 months, to the extent Dave elects such COBRA continuation coverage and is eligible and subject to the terms of the health plan and the law. However, such reimbursement shall cease to the extent that Dave is eligible for health benefits from a new employer. Without duplication of any amount payable to Dave under the terms of the applicable incentive plan, the Company shall pay to Dave, a lump sum amount, in cash, equal to that which he would have received had he been employed during the applicable period. Payments and benefits provided shall be in lieu of any termination or severance payments or benefits for which Dave may be eligible under any of the plans, policies or programs of the Company or under the Worker Adjustment Retraining Notification Act of 1988 or any similar state statute or regulation. Additionally, the provisions of any applicable Company long-term and equity (or equity based) award agreements and plans will govern the treatment of all other equity (or equity based) awards held by Dave.

Syed Rahman, SVP

If Syed Rahman is terminated without cause or resigns for good reason during the CIC Protection Period, subject to his continued compliance with the obligations included in his employment agreement, which include, but are not limited to, confidentiality, non-competition and the return of Company owned property, he will be entitled to continued payment of his base salary from the date of termination to the 12 month anniversary of the date of termination and payment of any pro-rated bonus, if any, for the portion of performance period completed prior to the termination date. Additionally, the provisions of any applicable equity (or equity based) award agreements and plans will govern the treatment of all other equity (or equity based) awards held by Syed.

DIRECTOR COMPENSATION

The below lists compensation for our Board's independent directors and committee roles. These rates were approved at the September 7, 2023 SEA Board meeting with an effective date of January 1, 2023. As such, they are noted as the rates in place for FY 2023 effective January 1, 2023, with such payments subject to securing adequate financing. As of the date of this Circular, except where otherwise noted in the table below, none of the cash compensation rates listed below have been paid to any director of SEA. Committee assignments were approved by the SEA Board at the same September 7, 2023 meeting. Fees earned for committee assignments are incurred as of September 7, 2023, and fall into FY 2024 and are excluded from the amounts earned for the independent directors on the corresponding table.

Board Annual Retainer - \$65,000

Chair Annual Retainer - \$127,500

Corporate Governance and Nominating Committee Chair Retainer - \$10,000

Finance & Audit Committee Chair Retainer - \$12,000

Compensation Committee Member - \$6,500

Corporate Governance and Nominating Committee Member - \$6,500

Finance & Audit Committee Member - \$6,500

In addition to the above noted structure, the SEA Electric Board of Directors may award additional compensation for special services by the directors.

2023 Director Compensation Tables

The following table sets forth a summary of the compensation earned by SEA's non-employee directors pursuant to SEA's director compensation policy for fiscal 2023.

Name (a)	Fees earned (2) (\$) (b)	Share- based awards (\$) (c)	Option- based awards (\$) (d)	Non-equity incentive plan compensation (\$) (e)	Pension value (\$) (f)	All other compensation (\$) (g)	Total (\$) (h)
Angela Strand ⁽¹⁾	\$32,500	N/A ⁽³⁾	N/A	N/A	N/A	N/A	\$32,500
John Bell- Allen	\$32,500 ⁽⁴⁾	\$615,400 ⁽⁴⁾	N/A	N/A	N/A	N/A	\$647,900
John Pratt	\$32,500	\$615,400	N/A	N/A	N/A	N/A	\$647,900
John MacLeod	\$32,500	N/A ⁽³⁾	N/A	N/A	N/A	N/A	\$32,500
Anthony Loria ⁽⁵⁾	\$32,500	\$615,400	N/A	N/A	N/A	N/A	\$647,900

(1) Ms. Strand was appointed Chair of the SEA Board effective June 25, 2023. Fees in column (b) reflected on this chart are noted from her duties as a member of the Board. Compensation for duties as Chairperson are earned in FY 2024.

(2) Fees earned by the Board members for their duties are earned beginning in FY 2023 (January 1, 2023), with payment deferred until FY 2024. Committee member fees are all earned in FY 2024, the value of which is excluded from the sums noted in (b).

(3) Angela Strand and John MacLeod's initial RSU grants were awarded in FY 2024 (January 3, 2024) and are excluded from this table (c).

(4) Mr. Bell-Allen was awarded an RSU grant in FY 2024 (January 28, 2024) for 1,325 RSUs to compensate him for Board service fees earned during calendar year 2023. 691 of those RSUs are reflected in column (b) of the table above.

(5) Anthony Loria resigned from the SEA Electric Board of Directors effective November 2023.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of the Circular, no executive officer, director, employee or former executive officer, director or employee of SEA or of any of its subsidiaries is: (i) indebted to SEA or any of its subsidiaries for any

purpose; or (ii) is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding granted by SEA or any of its subsidiaries.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Independent Directors

The SEA Board has determined that Angela Strand, John Bell-Allen, John MacLeod and John Pratt are independent. These directors have either not been engaged by SEA in any capacity that would limit their independence, or, in the case of John Pratt, a prior 12-month consulting engagement was completed in early 2021. The only director considered not independent is Tony Fairweather who is the CEO of SEA. The SEA Board, in our judgement is 80% independent at this time.

Number of Meetings of the Board of Directors

The SEA Board held 11 meetings during fiscal 2023. Directors are expected to attend SEA's Board meetings and meetings of committees for which they serve, and to spend time needed and meet as frequently as necessary to properly discharge their responsibilities. The standing committees of the SEA Board (Finance & Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee) were formed on September 7, 2023 and held an aggregate of two meetings during the year. All directors attended each meeting of the SEA Board and the Committees of the SEA Board on which the director served.

SEA's independent directors meet in executive sessions on a periodic basis without management present. SEA's Chairperson presides at the executive sessions of independent directors. Since the beginning of fiscal 2023, the independent directors met 5 times.

Board Mandate

The text of the board's written mandate ("**Corporate Governance Guidelines**") is provided below.

The Role of the Board of Directors and Management

The Board of Directors

The business of the Company is conducted under the oversight of the SEA Board. The Board selects the Company's CEO delegates to the CEO the authority and responsibility to manage the Company's day to day operations. The Board serves as elected representatives of the stockholders, acts as an advisor and counselor to the CEO and senior management, and oversees management performance on behalf of stockholders.

Management

The CEO and senior management are responsible for running the Company's business operations.

The Board of Directors

Size of Board

The Board's policy is that the number of directors should not exceed a number that can function effectively. The Corporate Governance and Nominating Committee considers and makes recommendation to the Board concerning the appropriate size of the Board, subject to any limitations set forth in the Company's Amended and Restated Certificate of Incorporation and Bylaws (as amended from time to time). The composition of the Board should balance the following goals: the size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully, and the composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company's business.

Qualification Standards

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company and its stockholders. If applicable, the

Board will comply with applicable listing requirements with respect to Board composition when and to the extent applicable to the Company. The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become Board members. Nominees for directorship will be identified by the Corporate Governance and Nominating Committee in accordance with the policies and principles in, or established pursuant to, its charter. An invitation to join the Board should be extended by the Board itself, by the Chair of the Corporate Governance and Nominating Committee or by the Chair of the Board.

Director Responsibilities

The basic responsibility of each director is to exercise his or her business judgment to act in what he or she reasonably believes to be in the best interests of the Company and its stockholders. In discharging this obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. Attendance at Board and committee meetings should be considered by the Corporate Governance and Nominating Committee in assessing each director's performance.

Service on Other Boards

In advance of accepting an invitation to serve on another company board, directors should advise the Chair of the Board and the Chair of the Corporate Governance and Nominating Committee to allow an assessment to be made of, among other things, the potential impact of such service on the director's time and availability and potential conflict of interest issues.

No Term Limits

The Board does not believe it should establish limits on a director's service. As an alternative to term limits, the Corporate Governance and Nominating Committee will review each director's continuation on the Board every year. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

Chair of the Board

The Board has no policy with respect to the separation of the offices of Chair and Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination regarding this issue each time it appoints a new Chief Executive Officer and during times of transition.

Meetings of the Board

The Chair of the Board will establish the agenda for each Board meeting. At the beginning of the year, the Chair of the Board will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

Meetings of Independent Directors

The independent directors will have regularly scheduled meetings, at least two (2) times per a year, in executive session that will be held immediately following each regularly scheduled Board meeting. A director chosen by the Board (based on the recommendation of the Corporate Governance and Nominating Committee) to preside at these meetings will have the authority to call meetings of the independent directors and will be responsible for preparing an agenda for the meetings of the independent directors in executive session.

Board Interaction with External Constituencies

The CEO is responsible for establishing effective communications with the Company's stakeholders, including stockholders, customers, employees, communities, suppliers, governments and corporate partners. It is the policy of the Board that management speaks for the Company. As such, individual directors will not meet or otherwise directly communicate with stockholders, research analysts, vendors,

the press or other external constituencies on behalf of the Company unless the communication is (1) specifically permitted by the Board pursuant to a written resolution, (2) requested by the Chair of the Board, the Chief Executive Officer or the full Board or (3) required to discharge his or her duties as set forth in committee charters.

Director Compensation

The Compensation Committee will conduct a periodic review of director compensation and make a recommendation to the Board regarding the form and amount of director compensation. Directors who are employees of the Company may not receive any additional compensation for service on the Board.

Annual Performance Evaluation of the Board

The Corporate Governance and Nominating Committee will lead the Board in its annual performance review. As part of this process, the Corporate Governance and Nominating Committee will receive comments from all directors and report to the full Board with an assessment of the Board's performance.

Director Orientation and Continuing Education

The Corporate Governance and Nominating Committee is responsible for developing and evaluating an orientation and continuing education program for directors, and for making appropriate recommendations for final Board action regarding this program.

Board Member Attendance at the Annual Meetings of Stockholders

Directors are encouraged to attend the Company's annual meeting of stockholders.

Stockholder Communications with Directors

The Board welcomes communications from the Company's stockholders and other interested parties. Stockholders and any other interested parties may send communications to the Board, any committee of the Board, the Chair of the Board, or any other director in particular to:

**SEA Electric Inc.
436 Alaska Ave.
Torrance, CA 90503**

Stockholders and any other interested parties should mark the envelope containing each communication as "Stockholder Communication with Directors" and clearly identify the intended recipient(s) of the communication. The Company's Chief Legal Officer will review each communication received from stockholders and other interested parties and will forward the communication, as expeditiously as reasonably practicable, to the addressees if: (1) the communication complies with the requirements of any applicable policy adopted by the Board relating to the subject matter of the communication; and (2) the communication falls within the scope of matters generally considered by the Board. To the extent the subject matter of a communication relates to matters that have been delegated by the Board to a committee or to an executive officer of the Company, then the Company's Chief Legal Officer may forward the communication to the executive officer or chair of the committee to which the matter has been delegated. The acceptance and forwarding of communications to the members of the Board or an executive officer does not imply or create any fiduciary duty of the Board members or executive officer to the person submitting the communications.

Committees of the Board of Directors

Committees

The Board will have at all times a Finance & Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. However, the Board may, from time to time, establish and maintain additional committees as necessary or appropriate. Committee members will be appointed by the Board upon recommendation of the Corporate Governance and Nominating Committee, with consideration given to the desires of individual directors.

Committee Charters

Each committee will have its own charter. The charters will set forth the authority and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will evaluate its performance.

Committee Meetings

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of the year, the Chair of each committee should establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). Committee members are free to raise at any Committee meeting subjects that are not on the agenda for that meeting.

Annual Performance Evaluation of the Committees

The Corporate Governance and Nominating Committee will lead the Board in the annual performance review of the Board's committees. As part of this process, the Corporate Governance and Nominating Committee will request that the Chair of each committee report to the full Board about the committee's annual evaluation of its performance and evaluation of its charter.

Director Access to Independent Advisors and Management

The Board and each committee has the power to hire legal, financial or other experts and advisors as it may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. The Board welcomes regular attendance at each Board meeting of executive officers of the Company. If the Chief Executive Officer wishes to have additional employees regularly attend Board meetings, he or she should obtain prior approval of the Board.

Management Evaluation and Succession Planning

The Corporate Governance and Nominating Committee will lead the Board in the annual performance review of the Company's management, including its Chief Executive Officer. The Board, with the assistance of the Corporate Governance and Nominating Committee, plans the succession to the position of CEO and certain other senior management positions both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO. To assist the Board, the Chief Executive Officer should annually assess senior managers and their succession potential.

Review of Governance Policies

The Corporate Governance and Nominating Committee periodically will review and reassess the adequacy of these Guidelines and recommend any proposed changes to the Board for approval. In addition, the Corporate Governance and Nominating Committee will consider any other corporate governance issues that arise from time to time and will develop appropriate recommendations for the Board. Such review will include management's monitoring of the Company's compliance programs.

Committees

Compensation Committee. Current members of the Compensation Committee are John MacLeod and John Bell-Allen. The function of the Compensation Committee is to consider and recommend executive compensation policies and compensation to be paid to SEA's executive officers, as well as to consider and submit to the SEA Board recommending non-employee director compensation. Mr. MacLeod and Mr. Bell-Allen are independent directors. The Compensation Committee met one times since formation.

Corporate Governance and Nominating Committee. Current members of the Corporate Governance and Nominating Committee are Angela Strand, John MacLeod and John Pratt. The Corporate Governance and Nominating Committee is responsible for (i) recruiting and recommending candidates for membership on the SEA Board, (ii) succession planning for SEA’s Board and SEA’s executive officers and (iii) establishing evaluation criteria and implementing an annual evaluation process for each of SEA’s Board committees. The members of the Corporate Governance and Nominating Committee are independent. The Corporate Governance and Nominating Committee met one time since formation.

Finance & Audit Committee. Current members of the Finance & Audit Committee are John Pratt and Angela Strand. The SEA Board has determined that both are financially literate as defined in section 1.6 of National Instrument 52-110 – Audit Committees. The Finance & Audit Committee reviews with SEA’s CFO, SVP Finance & Strategy and Chief Accounting Officer and SEA’s independent registered public accounting firm to review and approve the scope, results and costs of the annual audit and SEA’s accounting policies and financial reporting. The Finance & Audit Committee has met one time since formation. The members of the Finance & Audit Committee are independent. The following fees were incurred by SEA’s independent registered public accounting firm, BDO USA, P.C., for fiscal 2022 and fiscal 2023:

	Fiscal 2022	Fiscal 2023
Audit fees ⁽¹⁾	\$ 391,250	\$ 498,000
Tax fees ⁽²⁾	55,090	Incl.
All other fees ⁽³⁾	32,500	39,839
	<hr/>	<hr/>
Total fees	\$ 478,840	\$ 537,839

- (1) Audit fees consist of the cost of the hours required by BDO staff to review and test the financial records prepared by SEA, assess adoption and compliance with accounting standards, assess controls (including IT) and prepare comments and recommendations and a formal presentation for the SEA Board.
- (2) Work performed by the BDO Tax Experts to review and assess the tax provision prepared by SEA that is included in the financial records.
- (3) In fiscal 2023, “All other fees” includes any expenses incurred by BDO in the performance of the audit.

Orientation and Continuing Education

SEA’s onboarding process for new directors involves meeting with SEA’s executive team and certain customers (Mack, Hino), attending industry conferences, and reviewing important documents with internal and external counsel (e.g., Delegation of Authority, Charters, Redomicile Process, documents relating to SEA’s incorporation in Delaware, etc.). New directors also review SEA’s audited financials with our auditor. Committees were established in September 2023. Our board includes directors with diverse business backgrounds and expertise: executive leadership, operations, consulting, software technology, and finance (e.g., investment banking).

Board Leadership Structure and Oversight of Risk

The SEA Board is responsible for providing oversight of SEA affairs. The SEA Board has adopted Corporate Governance Guidelines, which outline SEA’s corporate governance policies and procedures, including, among other topics, director responsibilities, the SEA Board committees, management succession and performance evaluations of the SEA Board. These Corporate Governance Guidelines are included above under the heading “*Board Mandate*”.

The SEA Board leadership structure currently consists of a Chairperson of the SEA Board. SEA’s Corporate Governance Guidelines provide that the SEA Board has no policy with respect to the separation of the offices of Chair and Chief Executive Officer, as the SEA Board has determined that this issue is part of the succession planning process and that it is in the best interests of SEA for the SEA Board to make a

determination regarding this issue each time it appoints a new Chief Executive Officer and during times of transition. Angela Strand serves as the Chairperson of the SEA Board and is independent. The Chairperson of the SEA Board, among other responsibilities, works with the CEO and the SEA Board to prepare SEA Board meeting agendas and schedules, acts as liaison to other independent members of the SEA Board, and presides at the SEA Board meetings.

SEA believes that the current SEA Board leadership structure is an appropriate structure for SEA and its stockholders as of the date of this Circular.

As detailed above in SEA's Corporate Governance Guidelines providing under the heading "*Board Mandate*", the SEA Board has three standing committees—the Finance & Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. SEA's Finance & Audit Committee is responsible for overseeing certain accounting related aspects of SEA's risk management processes while the full SEA Board focuses on overall risk management. The Finance & Audit Committee and the full SEA Board focus on what they believe to be the most significant risks facing SEA and its general risk management strategy, and also attempt to ensure, together with the CEO, that risks undertaken by SEA are consistent with the appetite for risk of the SEA Board. While the SEA Board oversees SEA's risk management, management is responsible for day-to-day risk management processes. SEA believes this division of responsibilities at the present time is an appropriate approach for addressing the risks facing it and that the SEA Board leadership structure supports this approach. SEA can offer no assurance that this structure, or any other structure, will be effective in all circumstances.

Procedure for Stockholder Recommendations for Director Nominees

As detailed above under the headings "*Board Mandate*" and "*Committees*", the Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to serve as independent directors but will consider various potential candidates for independent director that may come to the Committee's attention through current SEA Board members, professional search firms, stockholders and other persons. The Corporate Governance and Nominating Committee members are all considered to be independent,

There have been no changes to this process. In selecting director nominees, the Corporate Governance and Nominating Committee considers, among other factors, (1) the competencies and skills that the candidate possesses and the candidate's areas of qualification and expertise that would enhance the composition of the SEA Board, and (2) how the candidate would contribute to the SEA Board's overall balance of expertise, perspectives, backgrounds and experiences in substantive matters pertaining to SEA's business. The Corporate Governance and Nominating Committee has not established any minimum qualifications for directors, but identifies and evaluates each candidate on a case-by-case basis including an evaluation of business and professional background, history of leadership or contributions to other organizations, function, skill set and expertise, and other elements relevant to the success of a company in today's business environment and other SEA Board service.

Code of Business Conduct and Ethics

Please see the text of SEA's Corporate Governance Guidelines included above. In addition, all SEA directors, officers and employees, including the CEO and CFO, are subject to standards of business conduct and ethics set out in SEA's employee handbook.

RISK FACTORS

In addition to those risks noted below, Exro Technologies Inc. Shareholders should carefully consider the risk factors outlined under the headings “*Risk Factors*” in the Circular and “*Appendix D – Information Concerning the Combined Company*” and “*Appendix F – Unaudited Pro Forma Financial Information*”. Management of SEA believes that the risks described below are the material risks relating to SEA as at the date of the Circular, although the information below does not purport to be an exhaustive list or summary of all of the risks that SEA may encounter. Additional risks and uncertainties not known to SEA as at the date of the Circular, or that SEA deems to be immaterial as at the date of the Circular, may also have an adverse effect on its business. References herein to “we”, “us”, or “our” are defined as “SEA”, including its successors.

Risks Related to Our Business and Industry

We have a history of losses, and we expect to incur losses in the fiscal year ending June, 30 2024, and our June 30, 2023, audited financial statements included disclosure that casts doubt regarding our ability to continue as a going concern.

We have a history of losses as we pursue our business plan of developing and commercializing our zero-emission powertrains. We reported a net loss of \$39.6 million and a net loss of \$33.5 million for the fiscal years ended June 30, 2023 and 2022, respectively. At June 30, 2023, our accumulated deficit amounted to \$108.0 million. Our working capital was comprised of inventories of \$11.9 million and \$10.8 million as well as net payables (net of receivable) of \$6.1 million and \$11.6 million as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, net cash used in operating activities amounted to \$36.0 million and \$26.6 million, respectively. In addition, as of June 30, 2023, we had outstanding indebtedness of approximately \$37.1 million. Based on a revised agreement dated January 18, 2024, we have no debt maturing in 2024. We believe that we will continue to incur operating losses in the future. We cannot guarantee we will become profitable or achieve our business plan on a timely basis, including the levels of profit anticipated. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect to continue to incur significant expenses in future periods as we:

- design and develop zero-emission powertrains;
- build up inventories of parts and components for our zero-emission powertrains;
- assemble an available inventory of our zero-emission powertrains;
- expand our design, development, maintenance and repair capabilities;
- increase our sales and marketing activities and develop our distribution infrastructure; and
- mitigate costs and expenses resulting from warranty obligations and vehicle recalls that may not be fully recoverable from our legacy battery suppliers.

Because we will incur the costs and expenses from these efforts before we grow incremental revenue, we may continue to incur losses in future periods. In addition, we may find that these efforts are more expensive than we currently anticipate or these efforts may not result in projected revenues, which would further increase our losses. The ZEV market is relatively new, ever-changing and is subject to rapid technological advances. Accordingly, it is difficult to predict our future revenues and appropriately budget for our expenses. In the event that actual results differ from our expectations, our operating results and financial position could be materially affected.

Our business requires a significant amount of capital to fund inventory. We expect to need to raise additional funds and these funds may not be available to us in the amounts needed or at all when we need them. If we cannot raise additional funds as needed, our business could be negatively affected.

We require a significant amount of capital to continue to grow our business. We expect to continue to incur significant expenses which will impact our profitability, including research and development expenses, raw material procurement costs, lease costs, sales and distribution expenses as we build our brand and market zero-emission powertrains, and general and administrative expenses as we scale our operations. Our ability to become profitable in the future will not only depend on our ability to successfully market our zero-emission powertrains but also to control our costs. If we are unable to cost efficiently design, assemble, market, sell, distribute and service our zero-emission powertrains and services, our margins, potential profitability and prospects would be materially and adversely affected.

We will require additional capital to fund ongoing operations, continue research, development and design efforts and improve infrastructure. We cannot be certain that additional funds will be available to us on favorable terms when required, or at all. If we cannot raise additional funds when we need them, our financial condition, results of operations, business and prospects could be materially adversely affected.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business model. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as projected, both of which could mean that we would be forced to curtail or discontinue our operations.

In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our direct and indirect stockholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and may make it more difficult for us to obtain additional capital, pay dividends to our stockholders or pursue business opportunities, including potential acquisitions.

If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.

Our debt could adversely affect our financial condition.

As of June 30, 2023 we had outstanding indebtedness of approximately \$37.1 million, all of which is expected to mature in April 2027. Our outstanding debt could:

- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- require us to issue additional shares of common stock in exchange for such debt;
- make us more vulnerable to downturns in our business, the economy or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future to satisfy our requirements relating to working capital, capital expenditures, development projects, strategic initiatives or other purposes;

- restrict us from making strategic acquisitions, introducing new technologies or exploiting business opportunities;
- make it difficult for us to satisfy our obligations with respect to our debt, which depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control as well as the other risks described in this “*Risk Factors*” section; and
- expose us to the risk of increased interest rates.

Moreover, we may, subject to the limitations in the terms of its existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt. Our ability to refinance existing or future indebtedness will depend on the capital markets and our financial condition at such time. Our ability to make payments may be limited by law, by regulatory authority or by agreements governing our current or future indebtedness. We may not be able to engage in these activities on desirable terms or at all. Any of the foregoing could materially adversely affect our business, results of operations or financial condition.

We will need to raise additional cash to service our debt and sustain our operations. Our ability to generate cash and raise funds depends on many factors beyond our control, and we may not be able to generate the cash required to service our debt.

Our ability to meet our debt service obligations or refinance our debt depends on our future operating and financial performance and our ability to generate cash. This will be affected by our ability to successfully implement our business strategy, as well as general economic, financial, competitive, regulatory and other factors beyond our control, such as the disruption caused by the COVID-19 pandemic. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, obtain additional financing, reduce or delay investments or capital expenditures or sell assets on terms that may be highly onerous or dilutive. There can be no assurance that we will be able to generate sufficient cash through any of the foregoing. In addition, our ability to finance our operations, capital expenditures and working capital needs could be impacted by a rise in interest rates, as any such increase in interest rates would lead to higher costs of borrowing for us. We may not be able to effectively manage our borrowing costs and may lack alternative sources of funding to mitigate risks associated with a rise in interest rates. If we are not able to refinance any of our debt as it comes due, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our outstanding debt. Any of the foregoing could materially adversely affect our business, results of operations or financial condition.

Our financial results may vary significantly from period to period due to fluctuations in our operating costs and other factors.

Our quarterly and annual operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. These fluctuations may occur due to a variety of factors, many of which are outside of our control, including:

- the pace at which we continue to design, develop and produce new or enhanced products and increase assembly capacity;
- the number of customer orders and zero-emission powertrains sold in a given period;
- the ability to realize revenues against our orderbook is contingent on receiving purchase orders in line with joint forecasts;
- changes in major component and assembly costs;

- the availability of critical components for the manufacture of our products, such as batteries;
- the timing and cost of, and level of investment in, research and development relating to our technologies and our current or future facilities;
- developments involving our competitors;
- changes in governmental regulations or applicable law;
- future accounting pronouncements or changes in our accounting policies; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of potential competitors.

As a result of these factors, we believe that quarter-to-quarter comparisons of our financial results, especially in the short term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance.

We may not be able to obtain, or there may be a substantial delay in obtaining, all or a significant portion of any government grants, loans and other incentives for which we may apply, and our customers could fail to effectively execute on governmental funding programs, including California's Hybrid and Zero Emission Truck and Bus Voucher Incentive Project ("HVIP").

Federal and state grants, loans and tax incentives under government programs designed to stimulate the economy and support the production of electric vehicles and related technologies may become available. Our ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable government programs and approval of our applications to participate in such programs. The application process for these funds and other incentives tends to be highly competitive.

Incentives such as the HVIP program represents a very attractive subsidy program to our customers doing business in California due to its ease of access and amount of funding per vehicle. Any material problem with the HVIP program or any delays in obtaining funding under HVIP could have a material adverse impact on our business, financial condition and results of operations. Moreover, if the demand exceeds the availability of funds, then our customers may elect to cancel orders. We cannot be assured that we will be successful in obtaining any of these additional grants, loans and other incentives. If we are not successful in obtaining any of these additional incentives and we are unable to find alternative sources of funding to meet our planned capital needs, our business and prospects could be materially adversely affected.

Our growth and success is dependent upon the willingness of commercial fleet operators to adopt electric vehicles and specifically our zero-emission powertrain. We operate in the automotive industry, which is generally susceptible to cyclicity and volatility.

Our growth is highly dependent upon the adoption by commercial fleets of alternative fuel vehicles in general and our zero-emission powertrain in particular. The market for alternative fuels, hybrid and ZEVs is relatively new and untested and is characterized by rapidly changing technologies, price competition, numerous competitors, evolving government regulation and incentives, industry standards and uncertain customer demands and behavior. We expect competition in the industry to intensify in light of increased demand for products in our market. There can be no assurances that we will be able to compete successfully. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Our success depends on our ability to ensure that our zero-emission powertrains are recognized and accepted as reliable, enabling and cost-effective and our ability to convince potential customers that our

products and technology are an attractive alternative to existing products and technology. Prior to adopting our products and technology, some customers may need to devote time and effort to testing and validating our systems. Any failure of our zero-emission powertrains to meet these customer benchmarks could result in potential customers choosing to retain their existing systems or to purchase systems other than ours.

The market for our ZEVs could be affected by numerous factors, such as:

- perceptions about alternative fuel, hybrid and electric vehicle quality, safety, design, performance, reliability and cost, especially if adverse events or accidents occur that are linked to the quality or safety of alternative fuel, hybrid or electric vehicles;
- perceptions about vehicle safety in general, including the use of advanced technology, such as vehicle electronics, alternative fuel and regenerative braking systems;
- the decline of vehicle efficiency resulting from deterioration over time in the ability of the battery to hold a charge;
- changes or improvements in the fuel economy of internal combustion engines, the vehicle and the vehicle controls or competitors' electrified systems;
- the availability of parts and components for electric vehicles;
- the availability of service and associated costs for alternative fuel, hybrid or electric vehicles;
- perceptions about the limited range over which ZEV and electric vehicles may be driven on a single battery charge;
- competition, including from other types of alternative fuel vehicles, plug-in ZEV and electric vehicles and high fuel-economy internal combustion engine vehicles;
- current volatility in the cost of energy, oil, gasoline, natural gas, hydrogen and renewable fuels could affect buying decisions, which could affect the carbon profile of our solutions;
- the availability of charging infrastructure to recharge batteries and maintain battery life for electric vehicles;
- the capacity and reliability of the electric grid;
- the availability of lease and financing options for ZEVs which enable their adoption;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy or mandating reductions in tailpipe emissions, including new regulations mandating zero tailpipe emissions compared to overall carbon reduction;
- the availability of tax and other governmental incentives to purchase and operate alternative fuel, hybrid and electric vehicles or future regulation requiring increased use of nonpolluting trucks; and
- macroeconomic factors, such as inflation or economic conditions causing delays in purchasing decisions.

If the market for electric vehicles in general, our zero-emission powertrain in particular, and all our other products, does not develop as we expect, or does not develop at all, our business, prospects, financial condition and operating results could be harmed.

If we fail to manage future growth effectively, we may not be able to commercialize, market and sell our products and technology successfully.

Anticipated growth in our business will place a significant strain on our managerial, operational and technical resources. We expect operating expenses and staffing levels to continue to increase in the future. To manage such growth, we must expand our operational and technical capabilities and manage our employee base while effectively administering multiple relationships with various third parties. There can be no assurance that we will be able to manage our expanding operations effectively. Any failure to properly manage our expansion, implement cohesive management and operating systems, and add resources on a cost-effective basis could have a material adverse effect on our business and results of operations. Risks that we face in undertaking this expansion include:

- recruiting and training new talents;
- forecasting production and revenue;
- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding manufacturing, sales and service facilities;
- implementing and enhancing administrative infrastructure, systems and processes;
- addressing new markets; and
- expanding or maintaining international operations.

We may fail to attract new customers or to retain existing customers, and we are subject to substantial customer concentration.

We believe that it is important to add more Original Equipment Manufacturers (“OEMs”) and other customers to ensure continued growth and replace departing customers. We may not be able to attract new customers in sufficient numbers to do so. In addition, we may not be able to quickly replace the quantity of orders from departing customers with orders from new customers, as the customer validation cycle typically takes up to 24 months. Even if we are able to attract new customers to replace departing customers, these new customers may not maintain the same level of commitment. In addition, we may incur marketing or other expenses, including referral fees, to attract new customers, which may further offset revenues from customers. For these and other reasons, we could experience a decline in revenue growth, which could adversely affect our results of operations.

If our customers do not perceive our product offerings to be of value or our offerings are not favorably received by them, we may not be able to attract and/or retain customers. As a result, our ability to maintain and/or grow our business will be adversely affected. Customer retention will also be largely dependent on the quality and effectiveness of our customer service and operations, as well as the dealer networks of the OEMs that we partner with. If we are unable to successfully compete with current and new competitors in both retaining existing customers and attracting new customers, our business will be adversely affected.

In addition, our results of operations could be adversely affected by declines in demand for our product offerings. Demand for our product offerings may be negatively affected by a number of factors, including geopolitical uncertainty, unavailability of grant funding or financing, inflation, competition, cybersecurity incidents, decline in our reputation and saturation in the markets where we operate.

Our two largest customers are projected to account for 85% of our revenue in calendar year 2024. As a result, our revenue could fluctuate materially and could be disproportionately impacted by purchasing decisions of these customers. Most of our zero-emission powertrain sales in calendar year 2024 are based on demand from our two largest customers and therefore our success is based on their ability to sell vehicles with our zero-emission powertrains to end users. If we are unable to diversify our customer base, maintain our existing strategic partnerships and expand our supply network with other partners, we will continue to be susceptible to risks associated with customer concentration.

Cancellations, reductions or delays in customer orders or customer breaches of purchase agreements may adversely affect the results of our operations.

We provide zero-emissions powertrains to our customers for which we are customarily not paid in advance and only require limited deposits. We rely on the creditworthiness of our customers to collect on our receivables from them in a timely manner after we have billed for products previously provided. While we generally provide products pursuant to a firm order which determines the terms and conditions of payment to us by our customers, occasionally customers may dispute an invoice and delay, contest or not pay our receivable. Our failure to collect our receivables on a timely basis could adversely affect our cash flows and results of operations and, in certain cases, could cause us to fail to comply with the financial covenants under our outstanding debt.

We have been, and may in the future be, adversely affected by the global COVID-19 pandemic, the duration and economic, governmental and social impact of which is difficult to predict, which may significantly harm our business, prospects, financial condition and operating results.

While conditions related to the global COVID-19 pandemic generally improved in 2022 and 2023, the pandemic continues to have an adverse impact on the global economy and our business operations, in particular, in areas such as supply chain delays and industry-wide shortages of raw materials utilized in manufacturing our ZEVs and zero-emission powertrains.

A resurgence of the virus in certain regions or the emergence of variants of the virus or another virus for which existing vaccines could be less effective may cause future delays or shutdowns of medium-duty commercial vehicle OEMs or our suppliers and could impact our ability to meet customer orders. In addition, the COVID-19 pandemic has resulted in extreme volatility in the global financial markets, which could increase our cost of capital or limit our ability to access financing. Difficult macroeconomic conditions, such as decreases in per capita income and level of disposable income, increased and prolonged unemployment or a decline in consumer confidence as a result of the COVID-19 pandemic could adversely impact the timing of purchases of ZEVs. Under difficult economic conditions, potential customers may seek to reduce spending by foregoing ZEVs for other traditional options. Decreased demand for ZEVs, particularly in the United States, and higher costs could negatively affect our business.

Global trade disruptions and consumer trends that originated during the pandemic continue to persist and may also have long-lasting adverse impact on us and our industries independently of the progress of the pandemic. For example, pandemic-related issues have exacerbated port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts. In addition, labor shortages resulting from the pandemic, including worker absenteeism, may lead to increased difficulty in hiring and retaining manufacturing and service workers, as well as increased labor costs. Sustaining our production trajectory will require the ongoing readiness and solvency of our suppliers and vendors and a stable and motivated production workforce.

Our zero-emission powertrains make use of lithium-ion battery cells, which, if not appropriately managed and controlled, have occasionally been observed to catch fire or vent smoke and flames. Such instances in our zero-emission powertrains could expose us to liability associated with our warranty, for damage or injury, adverse publicity and a potential safety recall, any of which would adversely affect our business, prospects, financial condition and operating results.

Lithium-ion battery cells have caught fire in certain circumstances. On occasion, if not appropriately managed and controlled, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. There can be no assurance that a field failure of the battery packs used in our zero-emission powertrains will not occur, which could damage the vehicle or lead to personal injury or death and may subject us to lawsuits. Furthermore, there is some risk of electrocution if individuals who attempt to repair battery packs on our zero-emission powertrains do not follow applicable maintenance and repair protocols. Any such damage or injury would likely lead to adverse publicity and potentially a safety recall. Any such adverse publicity could adversely affect our business, prospects, financial condition and operating results.

Developments in alternative technology improvements in the internal combustion engine may adversely affect the demand for our zero-emissions powertrains.

Our industry is relatively new and is subject to rapid technological change that has the potential to render our products and business plan obsolete. Significant developments in alternative technologies, such as advanced diesel, ethanol, or compressed natural gas or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. Other fuels or sources of energy may emerge as customers' preferred alternative to our zero-emission powertrains for medium-duty trucks platform. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced zero-emission powertrains, which could result in the loss of competitiveness of our zero-emission powertrains, decreased revenue and a loss of market share to competitors. Our research and development efforts may not be sufficient to adapt to changes in zero-emission powertrain technology. As technologies change, we plan to upgrade or adapt our zero-emission powertrains in order to continue to provide the latest technology. However, our electrified powertrain solutions may not compete effectively with alternative systems and could be rendered obsolete. We may be unable to forecast and respond to advances in electric powertrain and battery technologies and, as a result, may suffer a decline in our competitive position. Any failure to forecast and respond to advances in electric power train technology would result in a decline in our competitive position which would materially and adversely affect our business, prospects, operating results and financial condition.

We may experience challenges in servicing our zero-emission powertrains. If we are unable to address the service requirements of our customers, customer satisfaction and our business in general may be materially and adversely affected.

We may experience challenges in servicing and repairing our zero-emission powertrains. In addition, drivers often have less familiarity with ZEVs and the charging and service needs to maintain them, and thus require greater support and servicing than traditional combustion engine vehicles. Servicing electric vehicles is different than servicing vehicles with combustion engines and requires specialized skills, including high voltage training and servicing techniques. We currently employ trained service engineers to perform maintenance. In some cases, we use and train third-party service providers to perform some of the maintenance on our zero-emission powertrains, and there may be a risk that these third-party service providers will not perform the required services with the same skill and care as our own service engineers or follow the detailed work instructions we provide. Our customers also depend on our customer support team to resolve technical and operational issues relating to the integrated software underlying our electrified powertrain solutions. Our ability to provide effective customer support is largely dependent on our ability to attract, train and retain qualified personnel with experience in supporting customers on platforms such as ours. If we are unable to successfully address the service requirements of our customers or establish a market perception that we do not maintain high-quality support, we may be subject to claims from our

customers, including loss of revenue or damages, and our business, prospects, financial condition and operating results may be materially and adversely affected.

If we fail to introduce zero-emissions powertrains that achieve broad market acceptance on a timely basis, or if our ZEVs are not adopted as expected, we will not be able to compete effectively.

We operate in a quickly changing environment, and our future success depends on our ability to develop and introduce zero-emission powertrains that achieve broad market acceptance. Because the market for our zero-emission powertrains is rapidly evolving, it is difficult to predict our operating results. Our success will depend in large part upon our ability work with the OEMs that we supply to identify demand trends in the market in which we operate and quickly develop or acquire, and design zero-emission powertrains that satisfy these demands in a cost-effective manner.

In order to differentiate our zero-emission powertrains and services from competitors' products, we need to increase focus and investment in research and development. If we are unsuccessful in capitalizing on opportunities in the market in which we operate, our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product or service will have on existing product or service sales. It is possible that we may not be successful with our new products and services, and as a result our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Also, we may not be able to respond effectively to new product or service announcements by competitors by quickly introducing competitive products and services.

Furthermore, the success of our new products will depend on several factors, including, but not limited to, awareness of a product's availability and benefits, market demand costs, timely completion and introduction of these products, prompt resolution of any defects or bugs in these products, our ability to support these products, differentiation of new products from those of our competitors, market acceptance of these products, delays and quality issues in releasing new products and services. The occurrence of one or more of the foregoing factors may result in lower quarterly revenue than expected, and we may in the future experience product or service introductions that fall short of our projected rates of market adoption.

Moreover, we believe that the demand for commercial electric vehicles depends, in part, on the continuation of current trends resulting from historical dependence on fossil fuels. Extended periods of low diesel or other petroleum-based fuel prices could adversely affect demand for electric vehicles, which could adversely affect our business, prospects, financial condition and operating results.

If we are unable to attract and retain key employees and hire qualified management, technical and engineering personnel, our ability to compete could be harmed.

As we grow, we will be required to hire a number of additional employees, including a variety of engineering specialties. Individuals with sufficient training in automotive manufacturing or electric vehicles may not be available to hire, and as a result, we will need to expend significant time and expense training any newly hired employees. Our success depends, in part, on our ability to retain our key personnel. The unexpected loss of or failure to retain one or more of our key employees could adversely affect our business, financial condition, results of operations and prospects. Our success also depends, in part, on our continuing ability to identify, hire, attract, train and develop other highly qualified personnel.

Competition for these employees can be intense, and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. We may not be able to attract, assimilate, develop or retain qualified personnel in the future, and our failure to do so could adversely affect our business, including the execution of our global business strategy. Any failure by our management team to perform as expected may have a material adverse effect on our business, prospects, financial condition and results of operations.

We will be subject to various uncertainties and contractual restrictions while the merger is pending that could adversely affect its financial results.

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with us to seek to change existing business relationships with us. Employee retention and recruitment may be particularly challenging prior to completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect our financial results. We may lose key employees during the period in which we and Exro are pursuing the merger, which may adversely affect us in the future if we are not able to hire and retain qualified personnel to replace departing employees.

In addition, the merger agreement restricts us from making certain acquisitions and dispositions and taking other specified actions while the merger is pending without Exro's consent. These restrictions may prevent SEA from pursuing attractive business opportunities and making other changes to their respective businesses prior to completion of the merger or termination of the merger agreement. Furthermore, if the Merger is not completed, we may experience negative reactions from our customers and employees. We also could be subject to litigation related to any failure to complete the Merger or to enforcement proceedings commenced against us to attempt to force us to perform our respective obligations under the Merger Agreement.

Risks Related to Manufacturing and Supply Chain

We have experienced and may in the future experience significant delays in the design, manufacture, launch and financing of our ZEVs and zero-emission powertrains, which could harm our business and prospects.

We rely on third-party suppliers for the provision and development of many of the key components and materials used in our products. To the extent our suppliers experience any delays in providing us with or developing necessary components, we could experience delays in delivering on our timelines, or be forced to seek alternative suppliers. If a work stoppage occurs within our business, or in one of our key suppliers, it could delay the manufacture and sale of our coil driver and battery control products and have a material adverse effect on our business, prospects, operating results and financial condition.

We are dependent on our suppliers, including battery manufacturers, some of which are single or limited source suppliers, and the inability of these suppliers to deliver the necessary components of our zero-emission powertrains at prices, quality, volumes, and specifications acceptable to us, could have a material adverse effect on our business, prospects, financial condition and operating results.

We rely on third-party suppliers for the provision and development of many of the key components and materials used in our zero-emission powertrains. While we strive to obtain components from multiple sources whenever possible, some of the components used in our zero-emission powertrains are purchased by us from a single source. If our suppliers experience substantial financial difficulties, cease operations, experience supply chain disruptions or otherwise face business disruptions, we may experience production disruptions, which would have an adverse impact on our business and results of operations.

Increases in costs, global and regional economic conditions, disruption of supply or shortage of raw materials could harm our business.

We may experience increases in the cost of or a sustained interruption in the supply or shortage of raw materials, which may particularly affect our zero-emission powertrains. Any such cost increase, supply interruption or shortage could materially negatively impact our business, prospects, financial condition and operating results. Inflation may continue in the future to be rampant, resulting in higher commodity costs.

Furthermore, fluctuations or shortages in petroleum from market uncertainties, global conflicts, including between Russia and Ukraine and Israel and Hamas, and other economic conditions may cause us to experience significant increases in freight charges and raw material costs or for our supply chains to be disrupted. Increases in the prices for our raw materials would increase our operating costs to the extent that we do not have firm pricing from our suppliers or our suppliers are not able to honor such prices, and could reduce our margins if the increased costs cannot be recouped.

Climate change issues or natural disasters may impact our operations.

Climate change or natural disasters may exacerbate certain of the risks inherent in our manufacturing operations and supply chain. Climate change could result in increasing frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages and changing temperatures that may result in physical damage to our manufacturing facility or those of our suppliers and customers. Such damage may result in disrupted operations, and it may be difficult for us to continue business for a substantial period of time, which could materially adversely impact our business, financial condition or operating results. Furthermore, severe weather incidences may cause us to incur substantial extraordinary costs, including: costs to respond during the event, to recover from the event and to possibly modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt our operations by impacting the availability and costs of materials needed for production and could increase insurance and other operating costs.

If our zero-emission powertrains fail to perform as expected or contain defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.

Our zero-emission powertrains are complex and may contain defects in design and manufacture that may cause them not to perform as expected or may require repair. Our zero-emission powertrains also may not perform consistent with customers' expectations or consistent with other powertrains which may become available. There can be no assurance that we will be able to detect and fix any defects in the powertrains' hardware or software prior to commencing customer sales. Some defects may only be discovered after ZEVs have shipped to end users. Failure of our ZEVs to perform to specifications, or other product defects, could lead to substantial damage to sales of our customers vehicles. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write off the value of related inventory, cause us to lose market share, and divert the attention of our personnel from our product development efforts to find and correct the issue. In addition, an error or defect in our products after commencement of commercial shipments could result in failure to achieve market acceptance, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Furthermore, all products sold must comply with federal, state and provincial motor vehicle safety standards. In both Canada and the United States vehicles that meet or exceed all federally mandated safety standards are certified under the federal regulations. In this regard, Canadian and U.S. motor vehicle safety standards are substantially the same. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Failure by us to have our current or future products satisfy motor vehicle standards would have a material adverse effect on our business and operating results.

Insufficient warranty reserves to cover warranty claims could materially adversely affect our business, prospects, financial condition and operating results.

We provide a manufacturer's warranty on zero-emission powertrains we sell. We maintain warranty reserves to cover warranty-related claims. If our warranty reserves are inadequate to cover warranty claims on our ZEVs or zero-emission powertrains, our business, prospects, financial condition and operating results could be materially and adversely affected. We may become subject to significant and unexpected

warranty expenses. There can be no assurances that then-existing warranty reserves will be sufficient to cover all claims.

Our suppliers rely on production facilities with complex machinery for our production, which involves a significant degree of risk and uncertainty in terms of operational performance and costs.

Our suppliers may rely on complex machinery for the production of components used in our zero-emission powertrains. This can involve a significant degree of uncertainty and risk in terms of operational performance and costs. The facilities of our suppliers consist of large-scale machinery combining many components. These components may suffer unexpected malfunctions from time to time and will depend on repairs and spare parts to resume operations, which may not be available when needed.

SEA is exposed to fluctuations in currency exchange rates that could negatively impact SEA's business and financial result.

Because a portion of SEA's business is conducted outside of Canada, SEA faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, which could adversely affect SEA's business and financial results.

Risks Related to Intellectual Property

We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and cause us to incur substantial costs.

Companies, organizations or individuals, including our competitors, may own or obtain patents, trademarks or other proprietary rights that would prevent or limit our ability to make, use, develop or sell our zero-emission powertrains, which could make it more difficult for us to operate our business. We have received, and may in the future receive, inquiries from patent or trademark owners inquiring whether we infringe their proprietary rights. Companies owning patents or other intellectual property rights relating to zero-emission powertrains may allege infringement of such rights. In response to a determination that we have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease development, sales, or use of zero-emission powertrains that incorporate the asserted intellectual property;
- pay substantial damages;
- obtain a license from the owner of the asserted intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign one or more aspects or systems of our zero-emission powertrains.

From time to time, the holders of such intellectual property rights may assert their rights and urge us to take licenses, and/or may bring suits alleging infringement or misappropriation of such rights. We may consider the entering into licensing agreements with respect to such rights, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur, and such licenses could significantly increase our operating expenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease making, selling or incorporating certain components or intellectual property into the goods and services we offer, to pay substantial damages and/or license royalties, to redesign our products and services, and/or to establish and maintain alternative branding for our products and services.

A successful claim of infringement against us could materially adversely affect our business, prospects, operating results and financial condition. Any litigation or claims, whether valid or invalid, could result in substantial costs and diversion of resources.

We may license software and other technology from time to time. Our use of licensed technology may infringe on the rights of one or more third parties. In such cases, we will seek indemnification from our licensors. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses.

Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties.

Failure to adequately establish and protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue which would adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our and our collaborators' ability to protect our core technology and intellectual property. To accomplish this, we will rely on a combination of trade secrets (including know-how), patents, employee and third-party nondisclosure agreements, copyright, trademarks, intellectual property licenses and other contractual rights to establish and protect our rights in our technology.

The protection of our intellectual property rights will be important to our future business opportunities. However, the measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- any future patent applications we submit may not result in the issuance of patents
- the scope of our issued patents may not be broad enough to protect our proprietary rights;
- our issued patents may be challenged and/or invalidated by our competitors;
- we may not be the first inventor of the subject matter to which we have filed a particular patent application, and we may not be the first party to file such a patent application;
- patents have a finite term, and competitors and other third parties may offer identical or similar products after the expiration of our patents that cover such products;
- our employees or business partners may breach their confidentiality, non-disclosure and non-use obligations to us;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impractical;
- third-parties may independently develop technologies that are the same or similar to ours;
- current and future competitors may circumvent our patents; and
- in-licensed patents may be invalidated, or the owners of these patents may breach our license arrangements.

Patent, trademark, and trade secret laws vary significantly throughout the world. Some foreign countries do not protect intellectual property rights to the same extent as do the laws of Canada and the United States. Further, policing the unauthorized use of our intellectual property in foreign jurisdictions may be difficult. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of Canada or the United States.

Litigation may also be necessary to enforce patents issued or licensed to us or our collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent

suits brought against or initiated by our collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

Also, while we have registered trademarks in an effort to protect our investment in our brand and goodwill with customers, competitors may challenge the validity of those trademarks and other brand names in which we have invested. Such challenges can be expensive and may adversely affect our ability to maintain the goodwill gained in connection with a particular trademark.

Risks Related to Cybersecurity and Data Privacy

Breaches in data security, failure of information security systems and privacy concerns could adversely impact our financial condition, subject us to penalties, damage our reputation and brand, and harm our business, prospects, financial condition, results of operations, and cash flows.

We collect, transmit and store confidential and personal and sensitive information of our employees and customers, including names, accounts, user IDs and passwords, vehicle information, and payment or transaction related information. We are also subject to certain laws and regulations, such as “Right to Repair” laws, that require us to provide third-party access to our network and/or vehicle systems.

Increasingly, companies are subject to a wide variety of attacks on their networks and information technology infrastructure on an ongoing basis. Traditional computer “hackers,” malicious code (such as viruses and worms), phishing attempts, employee theft or misuse, denial of service attacks, ransomware attacks and sophisticated nation-state and nation-state supported actors engage in intrusions and attacks that create risks for our (and our suppliers’) internal networks, vehicles, infrastructure, and cloud deployed products and the information they store and process. Although we have implemented security measures to prevent such attacks, our networks and systems may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and as a result, an unauthorized party may obtain access to our systems, networks, or data.

We may face difficulties or delays in identifying or otherwise responding to any attacks or actual or potential security breaches or threats. A breach in our data security could create system disruptions or slowdowns and provide malicious parties with access to information stored on our networks, resulting in data being publicly disclosed, altered, lost, or stolen, which could subject us to liability and adversely impact our financial condition. Further, any breach in our data security could allow malicious parties to access sensitive systems, such as our product lines and the vehicles themselves. Such access could adversely impact the safety of our employees and customers.

In addition, we may incur significant financial and operational costs to investigate, remediate and implement additional tools, devices and systems designed to prevent actual or perceived security breaches and other security incidents, as well as costs to comply with any notification obligations resulting from any security incidents. Any of these negative outcomes could adversely impact the market perception of our products and customer and investor confidence in our company, and would materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

Any unauthorized control or manipulation of our zero-emission powertrains’ systems could result in loss of confidence in us, ZEVs and our zero-emission powertrains and harm our business.

We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks, our zero-emission powertrains and related systems. However, hackers have attempted and may attempt to gain unauthorized access to modify, alter and use such networks, powertrains and systems to gain control of or to change our powertrains’ functionality, user

interface and performance characteristics, or to gain access to data stored in or generated by the powertrain. Future vulnerabilities could be identified and our efforts to remediate such vulnerabilities may not be successful. Any unauthorized access to or control of our powertrains or their systems, or any loss of customer data, could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our powertrains, systems or data, as well as other factors that may result in the perception that our powertrains, systems or data are capable of being “hacked,” could negatively affect our brand and harm our business, prospects, financial condition and operating results.

We retain certain personal information about our customers, employees or others and may be subject to various privacy laws.

We are subject to or affected by a number of federal, state, provincial and local laws and regulations, as well as contractual obligations and industry standards, that impose certain obligations and restrictions with respect to data privacy and security, and govern our collection, storage, retention, protection, use, processing, transmission, sharing and disclosure of personal information including that of our employees, customers and others. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. Such laws may be inconsistent or may change or additional laws may be adopted. In addition, our agreements with certain customers may require us to notify them in the event of a security breach. Such mandatory disclosures are costly, could lead to negative publicity, result in penalties or fines, result in litigation, may cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach.

The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. We may not be able to monitor and react to all developments in a timely manner.

We collect, store, transmit and otherwise process data from customers, employees and others as part of our business and operations, which may include personal data or confidential or proprietary information. We also work with partners and third-party service providers or vendors that collect, store and process such data on our behalf. There can be no assurance that any security measures that we or our third-party service providers or vendors have implemented will be effective against current or future security threats. If a compromise of data were to occur, we may become liable under our contracts with other parties and under applicable law for damages and incur penalties and other costs to respond to, investigate and remedy such an incident. Our systems, networks and physical facilities could be breached or personal information could otherwise be compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our employees or our customers to disclose information or usernames and/or passwords. Third parties may also exploit vulnerabilities in, or obtain unauthorized access to, platforms, systems, networks and/or physical facilities utilized by our service providers and vendors.

We use our electronic systems to log information about each vehicle’s use in order to aid us in vehicle telematics, diagnostics, repair and maintenance. Our customers may object to the use of this data, which may increase our vehicle maintenance costs and harm our business prospects. Possession and use of our customers’ information in conducting our business may subject us to legislative and regulatory burdens in the United States and other jurisdictions that could require notification of data breaches, restrict our use of such information and hinder our ability to acquire new customers or market to existing customers. The regulatory framework for data privacy and security is rapidly evolving, and we may not be able to monitor and react to all developments in a timely manner. As legislation continues to develop, we will likely be required to expend significant additional resources to continue to modify or enhance our protective measures and internal processes to comply with such legislation. Non-compliance or a major breach of our network security and systems could have serious negative consequences for our business and future prospects, including possible fines, penalties and damages, reduced customer demand for our ZEVs, and harm to our reputation and brand.

Risks Related to Litigation and Regulation

We operate in a highly regulated industry, and if we fail to comply with applicable regulations we could face fines and penalties that could negatively impact our reputation and our financial results; in addition, future regulations applicable to us or our suppliers could increase costs and could substantially harm our business and operating results.

Our zero-emission powertrains, and the sale of electric motor vehicles in general, are subject to substantial regulation under international, federal, state, provincial and local laws. We continue to evaluate requirements for licenses, approvals, certificates and governmental authorizations necessary to manufacture, sell or service our electrified powertrain solutions in the jurisdictions in which we plan to operate and intend to take such actions necessary to comply. We may experience difficulties in obtaining or complying with various licenses, approvals, certifications and other governmental authorizations necessary to manufacture, sell or service their electrified powertrain solutions in any of these jurisdictions. For instance, our electrified powertrain solutions may not be readily classified into categories by governmental agencies. If we or our suppliers are unable to obtain or comply with any of the licenses, approvals, certifications or other governmental authorizations necessary to carry out our operations in the jurisdictions in which we currently operate, or those jurisdictions in which we plan to operate in the future, our business, prospects, financial condition and operating results could be materially adversely affected. We expect to incur significant costs in complying with these regulations. For example, if the battery packs installed in our electrified powertrain solutions are deemed to be transported, we will need to comply with the mandatory regulations governing the transport of “dangerous goods,” and any deficiency in compliance may result in us being prohibited from selling our electrified powertrain solutions until compliant batteries are installed. Regulations related to the electric vehicle industry and alternative energy are currently evolving and we face risks associated with changes to these regulations, including but not limited to:

- increased subsidies for corn and ethanol or soy and biodiesel production, which could reduce the operating cost of vehicles that use ethanol or biodiesel, or a combination of renewable and petroleum fuels;
- increased support for other alternative fuel systems, which could have an impact on the acceptance of our electric powertrain system; and
- increased sensitivity by regulators to the needs of established automobile manufacturers with large employment bases, high fixed costs and business models based on the internal combustion engine, which could lead them to pass regulations that could reduce the compliance costs of such established manufacturers or mitigate the effects of government efforts to promote alternative fuel vehicles.

To the extent that laws or regulations change, electric powertrains may not comply with applicable international, federal, state, provincial or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected. Further, delays, reduction, or elimination of applicable international, federal, or state laws or regulations requiring or incentivizing reductions in emissions of greenhouse gases or other pollutants from internal combustion engines or requiring or incentivizing manufacturers to offer for sale increasing numbers of ZEVs may result in the diminished competitiveness of the alternative fuel and electric vehicle industry generally. This could materially and adversely affect the growth of the electric vehicle markets and our business, prospects, financial condition and operating results.

We may not have adequate insurance coverage for possible claims, lawsuits, product recalls or other damages claims made against us.

The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies, including premium increases or the imposition of

large deductible or co-insurance requirements, could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

The unavailability, reduction or elimination of government and economic incentives could have a material adverse effect on our business, prospects, financial condition and operating results.

Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of the electric vehicle industry or other reasons may result in the diminished competitiveness of the electric vehicle industry generally. This could materially and adversely affect the growth of our business, prospects, financial condition and operating results.

While certain subsidies, rebate vouchers, tax credits and other incentives for alternative energy production and electric vehicles have been available in the past, there is no guarantee these incentives will be available in respect of our vehicles or otherwise to our customers in the future, on the same terms and conditions or at all. The unavailability, reduction, discriminatory application or elimination of current governmental programs, subsidies or incentives could significantly affect our ability to market or sell our products or materially adversely affect our business, results of operations or financial condition. As federal, state, provincial or local legislation related to electric vehicles or data protection continues to develop, we will likely be required to expend significant additional resources to continue to modify or enhance our products, protective measures and internal processes to comply with such legislation.

In particular, we are influenced by federal, state, provincial and local tax credits, rebates, grants and other government programs. Lawmakers, regulators, policymakers, environmental or advocacy organizations, OEMs, trade groups, suppliers or other groups may invest significant time and money in efforts to delay, repeal or otherwise negatively influence regulations and programs that promote electric vehicles. Many of these parties have substantially greater resources and influence than we do. Further, changes in federal, state, provincial or local political, social or economic conditions, including a lack of legislative focus on these programs and regulations, could result in their modification, delayed adoption or repeal. Any failure to adopt, delay in implementation, expiration, repeal or modification of these programs and regulations, or the adoption of any programs or regulations that encourage the use of other alternative fuels or alternative vehicles over electric vehicles, would reduce the market for electrified powertrains and harm our operating results, liquidity and financial condition. If these economic incentives or regulatory programs are reduced, eliminated or never finalized and enacted, there could be a reduction in demand for ZEVs, which could have a material adverse effect on our business, prospects, financial condition and operating results.

We may in the future be, subject to lawsuits or indemnity claims in the ordinary course of business, including product liability claims and securities litigation resulting in possible class action and derivative lawsuits, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

Lawsuits, including a product liability claim, could result in substantial damages and be costly and time-consuming for us to defend. Under certain circumstances, our customers may be required to recall or withdraw the products incorporating our technology. Even if a situation does not necessitate a recall or market withdrawal, product liability claims may be asserted against us. Moreover, a product liability claim against us or our competitors could generate substantial negative publicity about us, our products and our business and could have a material adverse effect on our brand, business, prospects, financial condition and operating results. We may self-insure against the risk of product liability claims for vehicle exposure, meaning that any product liability claims will likely have to be paid from company funds, not by insurance.

Product recalls could materially adversely affect our business, prospects, operating results and financial condition.

We have, and may in the future, voluntarily or involuntarily, initiate a recall if any of our powertrain components, such as wiring or batteries, prove to be defective or noncompliant with applicable federal

motor vehicle safety standards. If a large number of vehicles are the subject of a recall or if needed replacement parts are not in adequate supply, we may not be able to re-deploy recalled vehicles for a significant period of time. Such recalls involve significant expense and diversion of management attention and other resources, which could adversely affect our brand image in our target markets, as well as our business, prospects, financial condition and results of operations.

We are subject to various environmental laws and regulations that could impose substantial costs upon us and give rise to liabilities.

Our operations are and will continue to be subject to federal, state, provincial and/or local environmental laws and regulations, including laws relating to water use; air emissions; use of recycled materials; energy sources; the protection of human health and the environment; and the use, handling, storage, disposal and human exposure to hazardous materials. Environmental and health and safety laws and regulations can be complex, and we expect that we will be affected by future amendments to such laws or other new environmental and health and safety laws and regulations which may require us to change our operations, potentially resulting in a material adverse effect on our business, prospects, financial condition, and operating results. Violations of these laws, regulations, and permits, certificates and registrations can give rise to liability for administrative oversight and correction costs, clean-up costs, property damage, bodily injury and fines and penalties.

Our employees and independent contractors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on our business, results of operations or financial condition.

We are exposed to the risk that our employees, independent contractors or other parties we collaborate with may engage in misconduct or other illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other activities that violate laws and regulations, including production standards, federal, state and provincial fraud, abuse, data privacy and security laws, other similar laws or laws that require the true, complete and accurate reporting of financial information or data. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. In addition, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could have a material adverse effect on our business, results of operations or financial condition, including, without limitation, by way of imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement, integrity oversight and reporting obligations to resolve allegations of non-compliance, imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could expose us to greater than anticipated tax liabilities.

The U.S. federal and state tax laws applicable to our business are subject to interpretation and tax authorities may aggressively interpret these laws in an effort to raise additional tax revenue. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for our valuations or our revenue recognition policies, which could increase our effective tax rate and harm our financial position and results of operations. It is possible that tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. Further, the determination of our provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied.

We are subject to U.S. and foreign anti-corruption and anti-money laundering laws and regulations. We can face criminal liability and other serious consequences for violations, which can harm our business.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S. Code § 201, the Travel Act contained in 18 U.S. Code § 1952, the USA PATRIOT Act and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors and other collaborators from authorizing, promising, offering or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations.

We are subject to laws, regulations and rules enacted by national, regional and local governments. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations and rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations and rules, as interpreted and applied, could have a material adverse effect on our business and results of operations. New laws and regulations could make it more difficult to obtain certain types of insurance, including director's and officer's liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage, to the extent that such coverage remains available. The impact of these events could also make it more difficult for us to attract and retain qualified persons. Although we evaluate and monitor developments with respect to new rules and laws, we cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs with respect to such evaluations and/or compliance and cannot provide assurances that such additional costs will render us compliant with such new rules and laws.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time, SEA may be involved in litigation or regulatory proceedings relating to claims arising out of the ordinary course of its business including, but not limited to, product liability, employment matters, patents and trademarks, and customer account collections. SEA is not a party to, and, to its knowledge, there are not threats of any claims or actions against SEA, the ultimate disposition of which would have a material adverse effect on its consolidated results of operations or liquidity. SEA is aware of four putative shareholder class actions that have been filed since the announcement of the merger with Exro Technologies Inc. which challenge the proposed merger. SEA believe that the claims are without merit and intends to defend the actions vigorously.

SEA has not been subject to any material penalties or sanctions imposed by a court or regulatory body within the three years immediately preceding the date of the Circular. Management of SEA is not aware of any such penalties or sanctions imposed against SEA.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed within this Appendix B and the Circular, to the knowledge of the directors and officers of SEA, none of the directors or executive officers of SEA, nor any person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the voting rights attached to all outstanding voting securities of SEA, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year of SEA or in any proposed transaction which has materially affected or is reasonably expected to materially affect SEA.

AUDITORS, TRANSFER AGENTS AND REGISTRAR

The auditor of SEA is BDO USA, P.C. at its office in 2600 W. Big Beaver Road, Suite 600, Troy, Michigan 48084.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, that SEA has entered into since July 1, 2022 or before July 1, 2022 but still in effect:

- the Merger Agreement, as amended on March 1, 2024 and March 6, 2024.

EXPERTS & INTERESTS OF EXPERTS

BDO USA, P.C., a Virginia professional corporation, have advised that they are independent with respect to SEA under the American Institute of Certified Public Accountants Code of Professional Conduct, and its interpretations and rulings.

Schedule "A"
SEA Financial Statements

Attached to this Schedule "A" are the following financial statements of SEA: (i) the unaudited consolidated interim financial statements of SEA for the three and six months ended December 31, 2023 and 2022; (ii) the unaudited consolidated interim financial statements of SEA for the three months ended September 30, 2023 and 2022; (iii) the audited consolidated financial statements of SEA for the years ended June 30, 2023 and 2022; and (iv) the audited consolidated financial statements of Sea Electric Holdings Pty Ltd for the years ended June 30, 2021 and 2020.

SEA Electric Inc.

Consolidated Interim Financial Statements

**Three and Six Months Ended December 31, 2023
and 2022**

(Unaudited)

SEA Electric Inc.

Contents

SEA Electric Inc.

Consolidated Interim Financial Statements

Three and six months ended December 31, 2023 and 2022
(Unaudited)

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SEA Electric Inc.
Consolidated Interim Balance Sheets
(Unaudited - in U.S. dollars)

	Dec 31, 2023	June 30, 2023
Assets		
Current Assets		
Cash	\$ 2,371,999	\$ 1,432,326
Trade receivables, net	1,776,918	1,854,196
Inventory	17,002,947	11,902,065
Prepaid expenses and other current assets	1,832,802	2,512,127
Total Current Assets	\$ 22,984,666	\$ 17,700,714
Non-Current Assets		
Property and equipment, net	974,227	1,143,005
Operating lease right-of-use assets, net	1,972,436	1,954,597
Total Non-Current Assets	2,946,663	3,097,602
Total Assets	\$ 25,931,329	\$ 20,798,316
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payables	\$ 12,991,821	\$ 8,003,440
Accrued liabilities and other current liabilities	11,187,983	8,216,140
Convertible notes	17,000,000	17,000,000
Current portion of lease liability	243,983	243,983
Contract liabilities	6,421,371	2,029,245
Total Current Liabilities	\$ 47,845,158	\$ 35,492,808
Non-Current Liabilities		
Loans payable	\$ 30,104,109	\$ 20,111,075
Lease liability, net of current portion	1,897,134	1,877,631
Warranty provision	844,448	869,096
Total Non-Current Liabilities	\$ 32,845,691	\$ 22,857,802
Total Liabilities	\$ 80,690,849	\$ 58,350,610
Stockholders' Equity		
Series A Preferred Shares (\$0.01 par value, 1,500,000 shares authorized; 1,376,118 issued and outstanding)	\$ 59,427,502	\$ 59,427,502
Common shares (\$0.01 par value, 12,500,000 shares authorized; 2,968,202 shares issued and outstanding)	28,741	28,741
Additional paid-in capital	13,245,230	13,245,230
Accumulated deficit	(126,637,883)	(108,044,423)
Accumulated other comprehensive loss	(823,110)	(2,209,344)
Total Stockholders' Equity	\$ (54,759,520)	\$ (37,552,294)
Total Liabilities and Stockholders' Equity	\$ 25,931,329	\$ 20,798,316

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited - in U.S. dollars)

	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
	2023	2022	2023	2022
Revenue	\$ 3,350,570	\$ 6,299,811	\$ 7,211,847	\$ 12,029,850
Operating Expenses				
Cost of sales	(4,342,546)	(7,805,700)	(8,216,761)	(15,875,398)
Selling, general, and administrative	(7,092,574)	(7,558,302)	(14,040,335)	(15,730,721)
Research and development	(61,176)	(183,516)	(727,322)	(375,827)
Total Operating Expenses	(11,496,296)	(15,547,518)	(22,984,418)	(31,981,946)
Loss from Operations	(8,145,726)	(9,247,707)	(15,772,571)	(19,952,096)
Interest Expense	(1,406,136)	(462,217)	(2,820,889)	(824,434)
Loss before income taxes	(9,551,862)	(9,709,924)	(18,593,460)	(20,776,530)
Income Tax Provision	-	-	-	-
Net Loss	(9,551,862)	(9,709,924)	(18,593,460)	\$ (20,776,530)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	1,698,506	(839,785)	1,386,234	(835,851)
Total Comprehensive Loss	\$ (7,853,356)	\$ (10,549,709)	\$ (17,207,226)	\$ (21,612,381)

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Consolidated Interim Statements of Stockholders' Equity (Unaudited - in U.S. dollars)

	Six months ended December 31, 2023								
	Series A Preferred Shares		Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Amount				
Balance, June 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (2,209,344)	\$ (108,044,423)	\$ (37,552,294)	
Net loss	-	-	-	-	-	-	(18,593,460)	(18,593,460)	
Foreign currency translation adjustment	-	-	-	-	-	1,386,234	-	1,386,234	
Total Comprehensive Loss	-	-	-	-	-	1,386,234	(18,593,460)	(17,207,226)	
Balance, December 31, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (823,110)	\$ (126,637,883)	\$ (54,759,520)	

	Six months ended December 31, 2022								
	Series A Preferred Shares		Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Amount				
Balance, June 30, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (2,774,697)	\$ (68,410,078)	\$ 1,516,698	
Net loss	-	-	-	-	-	-	(20,776,530)	(20,776,530)	
Foreign currency translation adjustment	-	-	-	-	-	(835,851)	-	(835,851)	
Total Comprehensive Loss	-	-	-	-	-	(835,851)	(20,776,530)	(21,612,381)	
Balance, December 31, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (3,610,548)	\$ (89,186,608)	\$ (20,095,683)	

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Consolidated Interim Statements of Cash Flows (Unaudited - in U.S. dollars)

<i>Six Months Ended December 31,</i>	2023	2022
Cash Flows from Operating Activities:		
Net loss	\$ (18,593,460)	\$ (20,776,530)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation & amortization	171,180	242,754
Changes in operating assets and liabilities:		
Trade receivables, net	97,411	(2,495,646)
Inventory	(5,030,783)	(1,315,856)
Prepaid expenses	681,746	3,360,221
Accounts payable	7,899,176	1,874,818
Accrued liabilities	6,089,613	3,937,535
Warranty provision	(28,449)	(68,606)
Other assets and liabilities	(182)	(110,278)
Net Cash Used in Operating Activities	(8,713,748)	(15,351,588)
Cash Flows from Investing Activities:		
Additions to property and equipment	(66,609)	(150,723)
Net Cash Used in Investing Activities	(66,609)	(150,723)
Cash Flows from Financing Activities:		
Net borrowings/(repayments) of loans payable	(10,128)	(13,155)
Proceeds from promissory notes and convertible notes, net of issuance costs	10,000,000	6,971,824
Net Cash Provided by Financing Activities	9,989,872	6,958,669
Effect of Exchange Rate on Cash	(269,842)	(139,560)
Net Change in Cash	939,673	(8,683,202)
Cash, beginning of period	1,432,326	10,011,935
Cash, end of period	\$ 2,371,999	\$ 1,328,733

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

1. Description of Business and Summary

SEA Electric Inc. (the Company) is a corporation formed on May 31, 2022, under the laws of Delaware in the United States of America. The Company is the parent entity of a number of subsidiaries including the previous parent entity SEA Electric Holdings Pty Ltd. (Holdings). Holdings was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporations Act 2001. Its registered office is located at 1/13 Advantage Dr, Dandenong South VIC 3175, Australia.

On May 31, 2022, Holdings executed its plan to re-domicile from Australia to the United States of America (the Re-domiciliation). Holdings implemented a plan whereby SEA Electric Inc., a newly formed incorporated company for the purpose of effecting the Re-domiciliation, acquired all the outstanding shares of Holdings. Holdings' shareholders received one SEA Electric Inc. share for every one share of Holdings in the Re-domiciliation. Option holders of Holdings also received new options in SEA Electric Inc. in the same proportion to their existing holdings. The term "Company" refers to (i), prior to the Re-domiciliation, Holdings (an Australian corporation) and its subsidiaries and (ii), following the Re-domiciliation, SEA Electric Inc. (a Delaware corporation) and its subsidiaries. The re-domicile was accounted for as an internal reorganization of entities under common control and did not result in a change in shareholders or their respective ownership percentages.

The Company is an automotive technology company that has created proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world's urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

The Company's fiscal year-end is June 30.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its consolidated interim financial statements in conformity with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (FASB) within its Accounting Standards Codification (ASC). The following represents the more significant of those policies and practices.

These consolidated interim financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations.

Going Concern

The Company's consolidated interim financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the six months ended December 31, 2023, and 2022, the Company reported a consolidated net loss of \$18,593,460 and \$20,776,530, respectively and cash flows used in operating activities of \$8,713,748 and \$15,351,588, respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of these consolidated interim financial statements. These conditions raise substantial doubt about the Company's ability

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

to continue as a going concern. In response to these conditions, the Company is in the process of attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Basis of Consolidation

The consolidated interim financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

These consolidated interim financial statements include the accounts of the following entities, wholly owned by the Company as of December 31, 2023:

Name of Entity	Place of Incorporation
SEA Electric Holdings Pty Ltd.	Melbourne, AUS
SEA Automotive Pty Ltd.	Melbourne, AUS
SEA Electric Pty Ltd.	Melbourne, AUS
SEA Electric Vans Latrobe Valley Pty Ltd.	Melbourne, AUS
SEA Electric Asia	Bangkok, TH
SEA Electric Ltd.	Auckland, NZ
SEA Electric LLC	Delaware, USA
SEA Electric Inc.	Delaware, USA
SEA Electric GMBH	Vienna, AT

The entities listed above have been formed or acquired to support the intended operations of the Company.

Use of Estimates and Significant Judgments

The preparation of the Company's consolidated interim financial statements require management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated interim financial statements include the allowance for credit losses on trade receivables, inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment and intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, estimated variable consideration on contracts with customers, sales return estimates, and incremental borrowing rates and lease terms applicable to lease contracts.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

Allowance for Credit Losses

The Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on our expectation as of the balance sheet date.

Assets are written off when the Company has determined that such financial assets are deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The allowance for credit losses on accounts receivable was \$175,925 and \$350,424 at December 31, 2023 and June 30, 2023.

Research and Development Costs

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services.

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurement (ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

Level 1 - This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature. The carrying value of long-term loans and convertible debt approximates fair value, as demonstrated by the debt refinancing that took place in January 2024 (see Note 17).

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

New Accounting Pronouncements Adopted During Fiscal Year Ended June 30, 2024

In December 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Company to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

On July 1, 2023, the Company adopted the guidance prospectively, and elected not to restate comparative information. The effect on the Company consolidated interim financial statements was immaterial.

3. Inventory

Inventory consists of the following:

	Dec 31, 2023	June 30, 2023
Raw materials	\$ 13,858,573	\$ 9,610,539
Work-in-process	3,144,374	2,291,526
Total Inventory	\$ 17,002,947	\$ 11,902,065

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of the following items:

	Dec 31, 2023	June 30, 2023
Prepaid expenses	\$ 1,348,026	\$ 2,180,117
Deposits and other	484,776	332,010
Total Prepaid Expenses and Other Current Assets	\$ 1,832,802	\$ 2,512,127

Deposits consist primarily of advance payments made to suppliers of batteries and other components.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

5. Property and Equipment, Net

Property and equipment, net is comprised of the following items:

	Dec 31, 2023	June 30, 2023
Leaseholds and equipment	\$ 917,476	\$ 909,264
Furniture and equipment	506,524	507,044
Motor vehicles	766,628	761,968
Computer equipment	357,471	292,213
Computer software	228,162	225,796
Total Property and Equipment	2,776,261	2,696,285
Less: accumulated depreciation and amortization	(1,802,034)	(1,553,280)
Property and Equipment, Net	\$ 974,227	\$ 1,143,005

For the six months ended December 31, 2023, and December 31, 2022, total depreciation and amortization on property and equipment was \$171,180 and \$242,754, respectively.

6. Leases

The Company maintains has operating leases in Australia, the United States, and New Zealand. One of the Company's leases is controlled by a related party at December 31, 2023 (see Note 16).

The table below presents certain information related to the Company's lease costs:

	Three months ended		Six months ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Operating lease expense	\$ 398,505	\$ 285,754	\$ 735,978	\$ 669,965
Total Lease Expense	\$ 398,505	\$ 285,754	\$ 735,978	\$ 669,965

Right of Use (ROU) assets and lease liabilities for leases were recorded in the consolidated interim balance sheet as follows:

	Dec 31, 2023	June 30, 2023
Assets:		
ROU assets, net	\$ 1,972,436	\$ 1,954,597
Total Lease Assets	\$ 1,972,436	\$ 1,954,597
Liabilities:		
Current Liabilities		
Lease liabilities, current	\$ 243,983	\$ 243,983
Non-Current Liabilities		
Lease liabilities, net of current portion	1,897,134	1,877,631
Total Lease Liabilities	\$ 2,141,117	\$ 2,121,614

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

7. Accrued Liabilities and Other Current Liabilities

Accrued liabilities and other current liabilities are comprised of the following items:

	Dec 31, 2023	June 30, 2023
Accruals	\$ 9,164,628	\$ 6,244,183
Taxes and social security payments	1,512,352	1,456,996
Annual and long-service leave payable	511,003	514,961
Total Accrued Liabilities and Other Current Liabilities	\$ 11,187,983	\$ 8,216,140

8. Convertible Notes

Convertible notes were \$17,000,000 at December 31, 2023 and June 30, 2023.

On June 29, 2022, the Company offered and issued \$10 million of convertible notes to four different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through Nov 30, 2024, the date at which unpaid principal and interest was due and payable.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

On July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes.

On November 10, 2022, the Company issued \$5 million convertible note to 4 investors under the same terms and conditions as the original convertible notes for \$10 million.

As discussed in Note 17, all of the convertible notes were refinanced in January 2024.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

9. Loans Payable/Promissory Notes

Loans payable/promissory notes consisted of the following:

	Dec 31, 2023	June 30, 2023
Long-term promissory notes	\$ 30,000,000	\$ 20,000,000
Miscellaneous loans	104,109	111,075
Total Loans Payable	\$ 30,104,109	\$ 20,111,075

On February 23, 2023, the company received a long-term promissory note from a Series A investor (Vestcor) for \$20 million. As of June 30, 2023, \$20 million had been provided to the Company. An additional promissory note for \$10 million was approved on July 19, 2023. Total promissory notes as of December 31, 2023, were \$30 million with an interest rate of 12% accruing to the principle and repayment due on February 28, 2025, for the first \$20 million, and the additional \$10 million is due if the Company raises \$50 million of equity or July 31, 2024. The notes can be paid off prior to this date at the Company's option.

As discussed in Note 17, the \$30 million of promissory notes were refinanced in January 2024, and therefore, are presented as long-term on the consolidated interim balance sheet at December 31, 2023.

Miscellaneous loans payable consisted primarily of a U.S. 30-year long-term bank loan at December 31, 2023 and June 30, 2023. The 30-year long-term bank loan was entered into during 2020, and matures in December 2050. The interest rate charged on the loan is 3.75% with minimum repayment amounts of \$502 per month.

10. Warranty Provision

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components, and workmanship for three years or 100,000 kilometers, whichever occurs first. 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. Warranty expenses are classified as cost of sales.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

Six months ended December 31, 2023:

Balance, June 30, 2023	\$ 869,096
Warranty expense / (claims)	(24,648)
Balance, December 31, 2023	\$ 844,448

Six months ended December 31, 2022:

Balance, June 30, 2022	\$ 269,450
Warranty expense / (claims)	(69,751)
Balance, December 31, 2022	\$ 199,699

11. Stockholders' Equity

Common Shares

The Company's certificate of incorporation authorized the Company to issue 12,500,000 shares of common stock with a par value of \$0.01. Holders of common stock are entitled to one vote in respect of each share held. All common shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with a consultant. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018, and provides three tranches of options, as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on June 30, 2028. On March 6, 2019, the consultant exercised their rights and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). In connection with the Re-domiciliation discussed in Note 1, the 110,973 options were exchanged for 94,063 common shares of the Company.

In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash. Any shares issued would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into one share of the Company at a price of \$40.20 (being the same price used in the Series A funding) and is valid for a period of six months following completion of a go-public transaction. In the event the market capitalization of the Company resulting from the go-public transaction exceeds \$650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in December 2026. In December 2021, 14,926 shares and 61,942 options were issued to VIII Capital. In connection with the Re-domiciliation discussed in Note 1, the options were exchanged for 61,942 options in the Company at the same exercise price of \$40.20 with the same maturity date of December 2026.

Series A Preferred Shares

On July 9, 2021, the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles LLC (MEV), a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for commercial vehicle and industrial markets located in Troy, Michigan. The agreement provided for MEV, which owns 83,333 shares of Series A Preferred Shares valued at \$60.00 per share, to have observer rights for the Company's board meetings. Invested funds were received in full on the date of signing the agreement.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company issued 62,500 Series A Preferred Shares at a price of \$80.00 per share in respect of this agreement.

On February 17, 2022, the Company raised \$10,200,000 through a Series A Funding round. The Company issued 127,500 Series A Preferred Shares at a price of \$80.00 per share. The Series A Preferred Shares are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

Series A Preferred Shares entitle the holder to same rights and privileges as the ordinary shares of the Company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferred Shares on an “as-converted basis.”
- The Company may also, but is not required to, declare and pay a dividend on the Series A Preferred Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preferred share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an “as-converted basis.”
- Series A Preferred Shares holds a priority right in the case of a liquidation event.
- Each Series A Preferred Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preferred Shares will automatically convert into ordinary shares at the then-effective conversion rate, immediately before a “Realization Event.” A Realization Event is defined as:
 - business sale.
 - a share sale of 75% or more of the issued shares of the Company.
 - an Initial Public Offering (IPO) of not less than \$75 million.
 - any other realization, including a merger, consolidation, acquisition, or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction do not, immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

Series B Preferred Shares

The Company is also authorized to issue 2,500,000 shares of Class B Preferred Shares with a par value of \$0.01. As of December 31, 2023 there were no shares of Class B Preferred Shares issued and outstanding.

12. Commitments and Contingencies

Legal Proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated interim financial statements.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

Lease Commitments

The Company leases various facilities and vehicles under non-cancelable leases, which expire at various dates through December 2028.

13. Revenue

Revenue Recognition

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

Disaggregation of Revenue

Revenues related to the following types of business and geographic regions were as follows:

<i>Six Months ended December 31,</i>	2023	2022
Products/services:		
SEA-Drive	\$6,949,505	\$11,570,286
Aftersales products and services	\$262,342	\$459,564
Total Revenues	\$7,211,847	\$12,029,850
<i>Six Months ended December 31,</i>	2023	2022
Primary geographic markets:		
Australia	\$2,543,446	\$5,322,257
New Zealand	\$28,574	\$39,725
United States	\$4,639,827	\$6,667,868
Total Revenues	\$7,211,847	\$12,029,850

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

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

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

Contract Liabilities:

Six months ended December 31, 2023:

Balance, June 30, 2023	\$ 2,029,245
Deposits received	4,755,574
Recognized as revenue	(363,448)
Balance, December 31, 2023	\$ 6,421,371

Six months ended December 31, 2022:

Balance, June 30, 2022	\$ 746,744
Deposits received	609,134
Recognized as revenue	(105,250)
Balance, December 31, 2022	\$ 1,250,628

14. Income Taxes

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. For the three months ended December 31, 2023, and 2022, the Company had net losses and \$0 of current or deferred income tax expense recorded. The Company has recorded a full valuation allowance on its deferred tax assets at December 31, 2023, and June 30, 2023.

At June 30, 2023 and 2022, the Company had a federal net operating loss carryforward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carryforward period, and a state net operating loss carryforward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at December 31, 2023 and 2022, the Company has foreign net operating loss carryforwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carryforward period. The Company believes that it is more likely than not that the benefit from the net operating loss carryforwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of December 31, 2023 and June 30, 2023.

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statement of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheet at December 31, 2023 or June 30, 2023.

15. Concentrations of Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

16. Related Party Transactions

On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively. Total rent paid under this lease was approximately \$74,000 and \$64,000 for the three months ended December 31, 2023, and 2022, respectively, and \$148,000 and \$128,000 for the six months ended December 31, 2023 and 2022, respectively,

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services provided by a shareholder of the Company. AST Global is wholly owned and controlled by a founding shareholder of the Company.

Consulting Fees with John Pratt

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at December 31, 2023 and is included in accrued liabilities and other in the consolidated balance sheet. During 2022, John Pratt was appointed as a director of the Company.

17. Subsequent Events

Debt Refinancing:

In January 2024, the Company entered into a debt restructuring agreement with the holders of the Company's promissory notes and its convertible promissory notes. Pursuant to the terms of the debt restructuring agreement, the principal amount of all outstanding promissory notes and certain of the convertible promissory notes were consolidated into a series of senior secured promissory notes with a face amount of approximately \$47.0 million. The senior secured promissory notes mature in 2027 and bear interest at 12.0% per year. As security for the senior secured promissory notes, the holders were granted a first priority security interest over any and all Company assets. The debt restructuring agreement, among other things, also extended the maturity date for the remaining portion of the Company's existing convertible promissory notes until December 2024. Pursuant to the terms of the debt restructuring agreement, the remaining portion of the convertible promissory notes convert into (i) shares of the Company's common stock, in the event of certain merger transactions or (ii) equity securities of the Company issued in certain qualified financing transactions. If the remaining balance of the convertible promissory notes has not converted pursuant to (i) or (ii) in the preceding sentence on or before December 31, 2024, then such remaining portion of the convertible promissory notes will be exchanged for senior secured promissory notes on the same terms as the new senior secured promissory notes issued in January 2024.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per-share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option on or before June 30, 2024. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

Exro Merger Agreement:

On January 30, 2024, the Company entered into a merger agreement with EXRO Technologies, Inc., providing for the acquisition of the Company by Exro (the "Transaction"). Following completion of the Transaction, the combined company (the "Combined Company") will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange (the "TSX") under the ticker symbol "EXRO".

Under the terms of the Merger Agreement, immediately following the closing of the Transaction, Exro shareholders will own an approximate 34.5% economic stake in the Combined Company and the Company's shareholders will own an approximate 65.5% economic stake in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering (as defined below). Immediately following the closing of the Transaction, and prior to any conversion of Exro Convertible Shares into Exro Common Shares, current Exro shareholders will hold approximately 52.5% of the voting shares in the Combined Company and current SEA shareholders will hold approximately 47.5% of the voting shares in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering. The Merger Agreement also contains customary representations, warranties and covenants, including non-solicitation covenants applicable to Exro and the Company.

The Merger Agreement may be terminated in certain specified circumstances, including: (i) if the Transaction is not consummated on or before June 30, 2024, (ii) the approval of the Exro shareholders is not obtained or (iii) if Exro's board of directors makes a change in recommendation or enters into an agreement in respect of a superior proposal. A termination fee of approximately US\$11.4 million is payable by Exro to the Company if the Merger Agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of approximately US\$11.4 million from the Company if the Merger Agreement is terminated in certain circumstances.

No other matter or circumstance has arisen since December 31, 2023, that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future fiscal years.

SEA Electric Inc.

Consolidated Interim Financial Statements

Three Months Ended September 30, 2023 and 2022

(Unaudited)

SEA Electric Inc.

Consolidated Interim Financial Statements

Three months ended September 30, 2023 and 2022

(Unaudited)

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SEA Electric Inc.
Consolidated Interim Balance Sheets
(Unaudited - in U.S. dollars)

	Sept 30, 2023	June 30, 2023
Assets		
Current Assets		
Cash	\$ 1,826,482	\$ 1,432,326
Trade receivables, net	3,022,425	1,854,196
Inventory	16,928,768	11,902,065
Prepaid expenses and other current assets	999,866	2,512,127
Total Current Assets	\$ 22,777,541	\$ 17,700,714
Non-Current Assets		
Property and equipment	1,018,907	1,143,005
Operating lease right-of-use assets, net	1,938,684	1,954,597
Total Non-Current Assets	2,957,591	3,097,602
Total Assets	\$ 25,735,132	\$ 20,798,316
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payables	\$ 10,444,337	\$ 8,003,440
Accrued liabilities and other current liabilities	10,418,580	8,216,140
Convertible notes	17,000,000	17,000,000
Current portion of lease liability	243,983	243,983
Contract liabilities	1,665,797	2,029,245
Total Current Liabilities	\$ 39,772,697	\$ 35,492,808
Non-Current Liabilities		
Loans payable	30,106,695	20,111,075
Lease liability, net of current portion	1,860,228	1,877,631
Warranty provision	901,676	869,096
Total Non-Current Liabilities	32,868,599	22,857,802
Total Liabilities	\$ 72,641,296	\$ 58,350,610
Stockholders' Equity		
Series A Preferred Shares (\$0.01 par value, 1,500,000 shares authorized; 1,376,118 issued and outstanding)	\$ 59,427,502	\$ 59,427,502
Common shares (\$0.01 par value, 12,500,000 shares authorized; 2,968,202 shares issued and outstanding)	28,741	28,741
Additional paid-in capital	13,245,230	13,245,230
Accumulated deficit	(117,086,021)	(108,044,423)
Accumulated other comprehensive loss	(2,521,616)	(2,209,344)
Total Stockholders' Equity	(46,906,164)	(37,552,294)
Total Liabilities and Stockholders' Equity	\$ 25,735,132	\$ 20,798,316

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited - in U.S. dollars)

<i>Three Months Ended September 30,</i>	2023	2022
Revenue	\$ 3,861,277	\$ 5,730,039
Operating Expenses		
Cost of sales	(3,874,215)	(8,070,600)
Selling, general, and administrative	(6,947,761)	(8,171,719)
Research and development	(666,146)	(192,311)
Total Operating Expenses	(11,488,122)	(16,434,630)
Loss from Operations	(7,626,845)	(10,704,591)
Interest Expense	(1,414,753)	(362,217)
Loss before income taxes	(9,041,598)	(11,066,808)
Income Tax Provision	-	-
Net Loss	\$ (9,041,598)	\$ (11,066,808)
Other Comprehensive Income (Loss)		
Foreign currency translation adjustments	(312,272)	3,936
Total Comprehensive Loss	\$ (9,353,870)	\$ (11,062,872)

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Consolidated Interim Statements of Stockholders' Equity (Unaudited - in U.S. dollars)

	Series A Preferred Shares		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, June 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,209,344)	\$ (108,044,423)	\$ (37,552,294)
Net loss	-	-	-	-	-	-	(9,041,598)	(9,041,598)
Foreign currency translation adjustment	-	-	-	-	-	(312,272)	-	(312,272)
Total Comprehensive Loss	-	-	-	-	-	(312,272)	(9,041,598)	(9,353,870)
Balance, September 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,521,616)	\$ (117,086,021)	\$ (46,906,164)

	Series A Preferred Shares		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, June 30, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,774,697)	\$ (68,410,078)	\$ 1,516,698
Net loss	-	-	-	-	-	-	(11,066,808)	(11,066,808)
Foreign currency translation adjustment	-	-	-	-	-	3,936	-	3,936
Total Comprehensive Loss	-	-	-	-	-	3,936	(11,066,808)	(11,062,872)
Balance, September 30, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,770,761)	\$ (79,476,886)	\$ (9,546,174)

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Consolidated Interim Statements of Cash Flows (Unaudited - in U.S. dollars)

<i>Three Months Ended September 30,</i>	2023	2022
Cash Flows from Operating Activities:		
Net loss	\$ (9,041,598)	\$ (11,066,808)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	109,856	121,327
Changes in operating assets and liabilities:		
Trade receivables	(1,173,052)	(1,231,640)
Inventory	(5,080,156)	(2,844,664)
Prepaid expenses and other current assets	1,512,969	2,416,743
Accounts payable	2,456,545	285,930
Accrued liabilities	1,884,097	1,769,374
Warranty provision	35,999	(68,600)
Other assets and liabilities	-	(85,439)
Net Cash Used in Operating Activities	(9,295,340)	(10,703,777)
Cash Flows from Investing Activities:		
Additions to property and equipment	(60,218)	(42,941)
Net Cash Used in Investing Activities	(60,218)	(42,941)
Cash Flows from Financing Activities:		
Net borrowings/(repayments) of loans payable	(5,522)	7,068
Proceeds from promissory notes and convertible notes, net of issuance costs	10,000,000	2,000,000
Net Cash Provided by Financing Activities	9,994,478	2,007,068
Effect of Exchange Rate on Cash	(244,764)	155,699
Net Change in Cash	394,156	(8,583,951)
Cash, beginning of period	1,432,326	10,011,935
Cash, end of period	\$ 1,826,482	\$ 1,427,984

See accompanying notes to consolidated interim financial statements.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

1. Description of Business and Summary

SEA Electric Inc. (the Company) is a corporation formed on May 31, 2022, under the laws of Delaware in the United States of America. The Company is the parent entity of a number of subsidiaries including the previous parent entity SEA Electric Holdings Pty Ltd. (Holdings). Holdings was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporations Act 2001. Its registered office is located at 1/13 Advantage Dr, Dandenong South VIC 3175, Australia.

On May 31, 2022, Holdings executed its plan to re-domicile from Australia to the United States of America (the Re-domiciliation). Holdings implemented a plan whereby SEA Electric Inc., a newly formed incorporated company for the purpose of effecting the Re-domiciliation, acquired all the outstanding shares of Holdings. Holdings' shareholders received one SEA Electric Inc. share for every one share of Holdings in the Re-domiciliation. Option holders of Holdings also received new options in SEA Electric Inc. in the same proportion to their existing holdings. The term "Company" refers to (i), prior to the Re-domiciliation, Holdings (an Australian corporation) and its subsidiaries and (ii), following the Re-domiciliation, SEA Electric Inc. (a Delaware corporation) and its subsidiaries. The re-domicile was accounted for as an internal reorganization of entities under common control and did not result in a change in shareholders or their respective ownership percentages.

The Company is an automotive technology company that has created proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world's urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

The Company's fiscal year-end is June 30. References to a particular "fiscal quarter" are to the Company's fiscal three months ended September 30.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its consolidated interim financial statements in conformity with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (FASB) within its Accounting Standards Codification (ASC). The following represents the more significant of those policies and practices.

Going Concern

The Company's consolidated interim financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the three months ended September 30, 2023, and 2022, the Company reported a consolidated net loss of \$9,041,598 and \$11,066,808 respectively and had cash flows used in operating activities of \$9,295,340 and \$10,703,777 respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of these consolidated interim financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, the Company is in the process of

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

These consolidated interim financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations.

Basis of Consolidation

The consolidated interim financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

These consolidated interim financial statements include the accounts of the following entities, wholly owned by the Company as of September 30, 2023:

Name of Entity	Place of Incorporation
SEA Electric Holdings Pty Ltd.	Melbourne, AUS
SEA Automotive Pty Ltd.	Melbourne, AUS
SEA Electric Pty Ltd.	Melbourne, AUS
SEA Electric Vans Latrobe Valley Pty Ltd.	Melbourne, AUS
SEA Electric Asia	Bangkok, TH
SEA Electric Ltd.	Auckland, NZ
SEA Electric LLC	Delaware, USA
SEA Electric Inc.	Delaware, USA
SEA Electric GMBH	Vienna, AT

The entities listed above have been formed or acquired to support the intended operations of the Company.

Use of Estimates and Significant Judgments

The preparation of the Company's consolidated interim financial statements require management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated interim financial statements include the allowance for credit losses on trade receivables, inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment and

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, estimated variable consideration on contracts with customers, sales return estimates, and incremental borrowing rates and lease terms applicable to lease contracts.

Allowance for Credit Losses

The Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on our expectation as of the balance sheet date.

Assets are written off when the Company has determined that such financial assets are deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The allowance for credit losses on accounts receivable was \$350,425 at September 30, 2023 and June 30, 2023.

Research and Development Costs

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services. For the three months ended September 30, 2023, and 2022, the Company incurred \$666,146 and \$192,311, respectively, of research and development costs.

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurement (ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

Level 1 - This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature. The carrying value of long-term loans and convertible debt approximates fair value, as demonstrated by the debt refinancing that took place in January 2024 (see Note 17).

New Accounting Pronouncements Adopted During First Quarter of Fiscal Year 2024

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Company to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

On July 1, 2023, the Company adopted the guidance prospectively, and elected not to restate comparative information. The effect on the Company consolidated interim financial statements was immaterial.

3. Inventory

Inventory consists of the following:

	Sept 30, 2023	June 30, 2023
Raw materials	\$ 14,753,528	\$ 9,610,539
Work-in-process	2,175,240	2,291,526
Total Inventory	\$ 16,928,768	\$ 11,902,065

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of the following items:

	Sept 30, 2023	June 30, 2023
Prepaid expenses	\$ 529,647	\$ 2,180,117
Deposits and other	480,219	332,010
Total Prepaid Expenses and Other Current Assets	\$ 999,866	\$ 2,512,127

Deposits consist primarily of advance payments made to suppliers of batteries and other components.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

5. Property and Equipment, Net

Property and equipment, net is comprised of the following items:

	Sept 30, 2023	June 30, 2023
Leaseholds and equipment	\$ 901,922	\$ 909,264
Furniture and equipment	498,803	507,044
Motor vehicles	757,678	761,968
Computer equipment	326,198	292,213
Computer software	233,705	225,796
Total Property and Equipment	2,708,307	2,696,285
Less: accumulated depreciation and amortization	(1,689,400)	(1,553,280)
Property and Equipment, Net	\$ 1,018,907	\$ 1,143,005

For the three months ended September 30, 2023, and September 30, 2022, total depreciation and amortization on property and equipment was \$109,856 and \$121,327, respectively.

6. Leases

The Company maintains has operating leases in Australia, the United States, and New Zealand. One of the Company's leases is controlled by a related party at September 30, 2023 (see Note 16).

The table below presents certain information related to the Company's lease costs:

<i>Three months ended September 30,</i>	2023	2022
Operating lease expense	\$ 337,473	\$ 384,211
Total Lease Expense	\$ 337,473	\$ 384,211

Right of Use (ROU) assets and lease liabilities for leases were recorded in the consolidated balance sheet as follows:

	Sept 30, 2023	June 30, 2023
Assets:		
ROU assets, net	\$ 1,938,684	\$ 1,954,597
Total Lease Assets	1,938,684	\$ 1,954,597
Liabilities:		
Current Liabilities		
Lease liabilities, current	\$ 243,983	\$ 243,983
Non-Current Liabilities		
Lease liabilities, net of current portion	1,860,228	1,877,631
Total Lease Liabilities	\$ 2,104,211	\$ 2,121,614

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

7. Accrued Liabilities and Other Current Liabilities

Accrued liabilities and other current liabilities are comprised of the following items:

	Sept 30, 2023	June 30, 2023
Accruals	\$ 7,440,730	\$ 6,244,183
Taxes and social security payments	2,466,491	1,456,996
Annual and long-service leave payable	511,359	514,961
Total Accrued Liabilities and Other Current Liabilities	\$ 10,418,580	\$ 8,216,140

8. Convertible Notes

Convertible notes were \$17,000,000 at September 30, 2023 and June 30, 2023.

On June 29, 2022, the Company offered and issued \$10 million of convertible notes to four different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through Nov 30, 2024, the date at which unpaid principal and interest was due and payable.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

On July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes.

On November 10, 2022, the Company issued \$5 million convertible note to 4 investors under the same terms and conditions as the original convertible notes for \$10 million.

As discussed in Note 17, all of the convertible notes were refinanced in January 2024.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

9. Loans Payable/Promissory Notes

Loans payable/promissory notes consisted of the following:

	Sept 30, 2023	June 30, 2023
Long-term promissory notes	\$ 30,000,000	\$ 20,000,000
Miscellaneous loans	106,695	111,075
Total Loans Payable	\$ 30,106,695	\$ 20,111,075

On February 23, 2023, the company received a long-term promissory note from a Series A investor (Vestcor) for \$20 million. As of June 30, 2023, \$20 million had been provided to the Company. An additional promissory note for \$10 million was approved on July 19, 2023. Total promissory notes as of September 30, 2023, were \$30 million with an interest rate of 12% accruing to the principle and repayment due on February 28, 2025, for the first \$20 million, and the additional \$10 million is due if Company raises \$50 million of equity or July 31, 2024. The notes can be paid off prior to this date at the company's option.

As discussed in Note 17, the \$30 million of promissory notes were refinanced in January 2024, and therefore, are presented as long-term on the consolidated balance sheet at September 30, 2023.

Miscellaneous loans payable at consisted primarily of a U.S. 30-year long-term bank loan at September 30, 2023 and June 30, 2023. The 30-year long-term bank loan was entered into on September 30, 2020, and matures in September 2050. The interest rate charged on the loan is 3.75% with minimum repayment amounts of \$502 per month.

10. Warranty Provision

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components, and workmanship for three years or 100,000 kilometers, whichever occurs first. 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. Warranty expenses are classified as cost of sales.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

Three months ended September 30, 2023:

Balance, July 1, 2023	\$ 869,096
Warranty expense / (claims)	32,580
Balance, September 30, 2023	\$ 901,676

Three months ended September 30, 2022:

Balance, July 1, 2022	\$ 269,450
Warranty expense / (claims)	(75,009)
Balance, September 30, 2022	\$ 194,441

11. Stockholders' Equity

Common Shares

The Company's certificate of incorporation authorized the Company to issue 12,500,000 shares of common stock with a par value of \$0.01. Holders of common stock are entitled to one vote in respect of each share held. All common shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with a consultant. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018, and provides three tranches of options, as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on September 30, 2028. On March 6, 2019, the consultant exercised their rights and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). In connection with the Re-domiciliation discussed in Note 1, the 110,973 options were exchanged for 94,063 common shares of the Company. In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash. Any shares issued would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into one share of the Company at a price of \$40.20 (being the same price used in the Series A funding) and is valid for a period of six months following completion of a go-public transaction. In the event the market capitalization of the Company resulting from the go-public transaction exceeds \$650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in September 2026. In September 2021, 14,926 shares and 61,942 options were issued to VIII Capital. In connection with the Re-domiciliation discussed in Note 1, the options were exchanged for 61,942 options in the Company at the same exercise price of \$40.20 with the same maturity date of September 2026.

Series A Preferred Shares

On July 9, 2021, the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles LLC (MEV), a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

commercial vehicle and industrial markets located in Troy, Michigan. The agreement provided for MEV, which owns 83,333 shares of Series A Preferred Shares valued at \$60.00 per share, to have observer rights for the Company's board meetings. Invested funds were received in full on the date of signing the agreement.

On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company issued 62,500 Series A Preferred Shares at a price of \$80.00 per share in respect of this agreement.

On February 17, 2022, the Company raised \$10,200,000 through a Series A Funding round. The Company issued 127,500 Series A Preferred Shares at a price of \$80.00 per share. The Series A Preferred Shares are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

Series A Preferred Shares entitle the holder to same rights and privileges as the ordinary shares of the Company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferred Shares on an “as-converted basis.”
- The Company may also, but is not required to, declare and pay a dividend on the Series A Preferred Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preferred share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an “as-converted basis.”
- Series A Preferred Shares holds a priority right in the case of a liquidation event.
- Each Series A Preferred Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preferred Shares will automatically convert into ordinary shares at the then-effective conversion rate, immediately before a “Realization Event.” A Realization Event is defined as:
 - business sale.
 - a share sale of 75% or more of the issued shares of the Company.
 - an Initial Public Offering (IPO) of not less than \$75 million.
 - any other realization, including a merger, consolidation, acquisition, or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction do not, immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

Series B Preferred Shares

The Company is also authorized to issue 2,500,000 shares of Class B Preferred Shares with a par value of \$0.01. As of September 30, 2023 there were no shares of Class B Preferred Shares issued and outstanding.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

12. Commitments and Contingencies

Legal Proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated interim financial statements.

Lease Commitments

The Company leases various facilities and vehicles under non-cancelable leases, which expire at various dates through September 2028.

13. Revenue

Revenue Recognition

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

Disaggregation of Revenue

Revenues related to the following types of business and geographic regions were as follows:

<i>Three Months ended September 30,</i>	2023	2022
Products/services:		
SEA-Drive	\$ 3,725,733	\$ 5,467,684
Aftersales products and services	135,544	262,355
Total Revenues	\$ 3,861,277	\$ 5,730,039
<i>Three Months ended September 30,</i>	2023	2022
Primary geographic markets:		
Australia	\$ 1,401,611	\$ 2,898,962
New Zealand	12,665	22,704
United States	2,447,001	2,808,373
Total Revenues	\$ 3,861,277	\$ 5,730,039

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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

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

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract.

Three months ended September 30, 2023:

Balance, July 1, 2023	\$ 2,029,245
Deposits received	-
Recognized as revenue	(363,448)
Balance, September 30, 2023	\$ 1,665,797

Three months ended September 30, 2022:

Balance, July 1, 2022	\$ 746,744
Customer deposits received	206,643
Released to revenue	-
Balance, September 30, 2022	\$ 953,387

14. Income Taxes

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. For the three months ended September 30, 2023, and 2022, the Company had net losses and \$0 of current or deferred income tax expense recorded. The Company has recorded a full valuation allowance on its deferred tax assets at September 30, 2023, and June 30, 2023.

At June 30, 2023 and 2022, the Company had a federal net operating loss carryforward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carryforward period, and a state net operating loss carryforward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at September 30, 2023 and 2022, the Company has foreign net operating loss carryforwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carryforward period. The Company believes that it is more likely than not that the benefit from the net operating loss carryforwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of September 30, 2023 and June 30, 2023.

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statement of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheet at September 30, 2023 or June 30, 2023.

15. Concentrations of Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

16. Related Party Transactions

On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively. Total rent paid under this lease was approximately \$74,000 and \$64,000, respectively, for the three months ended September 30, 2023, and 2022.

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services provided by a shareholder of the Company. AST Global is wholly owned and controlled by a founding shareholder of the Company.

Consulting Fees with John Pratt

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at September 30, 2023 and is included in accrued liabilities and other in the consolidated balance sheet. During 2022, John Pratt was appointed as a director of the Company.

17. Subsequent Events

Debt Refinancing:

In January 2024, the Company entered into a debt restructuring agreement with the holders of the Company's promissory notes and its convertible promissory notes. Pursuant to the terms of the debt restructuring agreement, the principal amount of all outstanding promissory notes and certain of the convertible promissory notes were consolidated into a series of senior secured promissory notes with a face amount of approximately \$47.0 million. The senior secured promissory notes mature in 2027 and bear interest at 12.0% per year. As security for the senior secured promissory notes, the holders were granted a first priority security interest over any and all Company assets. The debt restructuring agreement, among other things, also extended the maturity date for the remaining portion of the Company's existing convertible promissory notes until December 2024. Pursuant to the terms of the debt restructuring agreement, the remaining portion of the convertible promissory notes convert into (i) shares of the Company's common stock, in the event of certain merger transactions or (ii) equity securities of the Company issued in certain qualified financing

SEA Electric Inc.

Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

transactions. If the remaining balance of the convertible promissory notes has not converted pursuant to (i) or (ii) in the preceding sentence on or before December 31, 2024, then such remaining portion of the convertible promissory notes will be exchanged for senior secured promissory notes on the same terms as the new senior secured promissory notes issued in January 2024.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per-share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option on or before June 30, 2024. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

Exro Merger Agreement:

On January 30, 2024, the Company entered into a merger agreement with EXRO Technologies, Inc., providing for the acquisition of the Company by Exro (the "Transaction"). Following completion of the Transaction, the combined company (the "Combined Company") will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange (the "TSX") under the ticker symbol "EXRO".

Under the terms of the Merger Agreement, immediately following the closing of the Transaction, Exro shareholders will own an approximate 34.5% economic stake in the Combined Company and the Company's shareholders will own an approximate 65.5% economic stake in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering (as defined below). Immediately following the closing of the Transaction, and prior to any conversion of Exro Convertible Shares into Exro Common Shares, current Exro shareholders will hold approximately 52.5% of the voting shares in the Combined Company and current SEA shareholders will hold approximately 47.5% of the voting shares in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering. The Merger Agreement also contains customary representations, warranties and covenants, including non-solicitation covenants applicable to Exro and the Company.

The Merger Agreement may be terminated in certain specified circumstances, including: (i) if the Transaction is not consummated on or before June 30, 2024, (ii) the approval of the Exro shareholders is not obtained or (iii) if Exro's board of directors makes a change in recommendation or enters into an agreement in respect of a superior proposal. A termination fee of approximately US\$11.4 million is payable by Exro to the Company if the Merger Agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of approximately US\$11.4 million from the Company if the Merger Agreement is terminated in certain circumstances.

No other matter or circumstance has arisen since September 30, 2023, that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future fiscal years.

SEA Electric Inc.

Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



SEA Electric Inc.

Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

SEA Electric Inc.

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Independent Auditor's Report

Board of Directors
SEA Electric Inc.
Torrance, California

Opinion

We have audited the consolidated financial statements of SEA Electric Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

January 24, 2024

SEA Electric Inc.
Consolidated Balance Sheets
(in U.S. dollars)

<i>June 30,</i>	2023	2022
Assets		
Current Assets		
Cash	\$ 1,432,326	\$ 10,011,935
Trade receivables, net	1,854,196	768,072
Inventory	11,902,065	10,794,824
Prepaid expenses and other current assets	2,512,127	6,346,890
Total Current Assets	17,700,714	27,921,721
Non-Current Assets		
Property and equipment, net	1,143,005	1,550,279
Operating lease right-of-use assets, net	1,954,597	2,317,276
Total Non-Current Assets	3,097,602	3,867,555
Total Assets	\$ 20,798,316	\$ 31,789,276
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payables	\$ 8,003,440	\$ 12,340,081
Accrued liabilities and other	8,216,140	4,387,076
Convertible notes	17,000,000	9,912,779
Current portion of lease liability	243,983	232,278
Contract liabilities	2,029,245	746,744
Total Current Liabilities	35,492,808	27,618,958
Non-Current Liabilities		
Loans payable	20,111,075	131,034
Lease liability, net of current portion	1,877,631	2,253,136
Warranty provision	869,096	269,450
Total Non-Current Liabilities	22,857,802	2,653,620
Total Liabilities	58,350,610	30,272,578
Stockholders' Equity (Deficit)		
Series A Preferred Shares (\$0.01 par value, 1,500,000 shares authorized; 1,376,118 issued and outstanding)	59,427,502	59,427,502
Common shares (\$0.01 par value, 12,500,000 shares authorized; 2,968,202 shares issued and outstanding)	28,741	28,741
Additional paid-in capital	13,245,230	13,245,230
Accumulated deficit	(108,044,423)	(68,410,078)
Accumulated other comprehensive loss	(2,209,344)	(2,774,697)
Total Stockholders' Equity (Deficit)	(37,552,294)	1,516,698
Total Liabilities and Stockholders' Equity (Deficit)	\$ 20,798,316	\$ 31,789,276

See accompanying notes to consolidated financial statements.

SEA Electric Inc.

Consolidated Statements of Operations and Comprehensive Loss (in U.S. dollars)

<i>Year ended June 30,</i>	2023	2022
Revenue	\$ 17,085,346	\$ 6,881,324
Operating Expenses		
Cost of sales	(22,076,648)	(13,920,668)
Selling, general, and administrative	(32,564,314)	(25,250,478)
Research and development	(1,134,062)	(1,266,886)
Total Operating Expenses	(55,775,024)	(40,438,032)
Loss from Operations	(38,689,678)	(33,556,708)
Other Income	1,554,202	102,962
Interest Expense	(2,498,869)	(2,725)
Net Loss	(39,634,345)	(33,456,471)
Other Comprehensive Income (Loss)		
Foreign currency translation adjustments	565,353	(1,063,692)
Total Comprehensive Loss	\$ (39,068,992)	\$ (34,520,163)

See accompanying notes to consolidated financial statements.

SEA Electric Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(in U.S. dollars)

	Series A Preferred Shares		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance, June 30, 2021	1,102,784	\$ 39,701,442	2,874,139	\$ 28,741	\$ 13,245,230	\$ (1,711,005)	\$ (34,953,607)	\$ 16,310,801
Net loss	-	-	-	-	-	-	(33,456,471)	(33,456,471)
Foreign currency translation adjustment	-	-	-	-	-	(1,063,692)	-	(1,063,692)
Total Comprehensive Loss	-	-	-	-	-	(1,063,692)	(33,456,471)	(34,520,163)
Series A Preferred Shares, net of issuance costs	273,334	19,726,060	-	-	-	-	-	19,726,060
Common stock forfeiture upon Re-Domiciliation (Note 11)	-	-	(9,081)	-	-	-	-	-
Stock options, settled in common shares upon Re-Domiciliation (Note 11)	-	-	103,144	-	-	-	-	-
Balance, June 30, 2022	1,376,118	59,427,502	2,968,202	28,741	13,245,230	(2,774,697)	(68,410,078)	1,516,698
Net loss	-	-	-	-	-	-	(39,634,345)	(39,634,345)
Foreign currency translation adjustment	-	-	-	-	-	565,353	-	565,353
Total Comprehensive Income (Loss)	-	-	-	-	-	565,353	(39,634,345)	(39,068,992)
Balance, June 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (2,209,344)	\$ (108,044,423)	\$ (37,552,294)

See accompanying notes to consolidated financial statements.

SEA Electric Inc.

Consolidated Statements of Cash Flows (in U.S. dollars)

<i>Year ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Net loss	\$ (39,634,345)	\$ (33,456,471)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	522,378	535,947
Loss on sale of assets	109,737	9,221
Gain from PPP loans forgiveness	-	(102,962)
Debt issuance cost amortization	87,221	-
Changes in operating assets and liabilities:		
Trade receivables, net	(1,090,772)	(14,646)
Inventory	(1,322,062)	(5,653,654)
Prepaid expenses and other current assets	3,806,858	(489,889)
Accounts payable	(1,808,533)	11,753,495
Accrued liabilities and other	2,760,837	608,682
Warranty provision	607,760	122,757
Other assets and liabilities	177,358	66,268
Net Cash Used in Operating Activities	(35,783,563)	(26,621,252)
Cash Flows from Investing Activities		
Additions to property and equipment	(437,653)	(533,416)
Net Cash Used in Investing Activities	(437,653)	(533,416)
Cash Flows from Financing Activities		
Repayments of loans payable	(18,467)	(305,925)
Proceeds from issuance of Series A Preferred Shares, net of issuance costs	-	19,726,060
Proceeds from preferred notes and convertible notes, net of issuance costs	27,000,000	9,912,779
Net Cash Provided by Financing Activities	26,981,533	29,332,914
Effect of Exchange Rate on Cash	660,074	(845,172)
Change in Cash During the Year	(8,579,609)	1,333,074
Cash, beginning of year	10,011,935	8,678,861
Cash, end of year	\$ 1,432,326	\$ 10,011,935

See accompanying notes to consolidated financial statements.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

1. Description of Business and Summary

SEA Electric Inc. (the Company) is a corporation formed on May 31, 2022 under the laws of Delaware in the United States of America. The Company is the parent entity of a number of subsidiaries, including the previous parent entity SEA Electric Holdings Pty Ltd. (Holdings). Holdings was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporations Act 2001. Its registered office is located at 1/13 Advantage Dr, Dandenong South VIC 3175, Australia.

On May 31, 2022, Holdings executed its plan to re-domicile from Australia to the United States of America (the Re-Domiciliation). Holdings implemented a plan whereby SEA Electric Inc., a newly formed incorporated company for the purpose of effecting the Re-Domiciliation, acquired all the outstanding shares of Holdings. Holdings' shareholders received one SEA Electric Inc. share for every one share of Holdings in the Re-Domiciliation. Option holders of Holdings also received new options in SEA Electric Inc. in the same proportion to their existing holdings. The term "Company" refers to (i) prior to the Re-Domiciliation, Holdings (an Australian corporation) and its subsidiaries and (ii) following the Re-Domiciliation, SEA Electric Inc. (a Delaware corporation) and its subsidiaries. The re-domicile was accounted for as an internal reorganization of entities under common control and did not result in a change in shareholders or their respective ownership percentages.

The Company is an automotive technology company that has created proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world's urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

The Company's fiscal year-end is June 30. References to a particular "fiscal year" are to the Company's fiscal year ended June 30 of that calendar year.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (FASB) within its Accounting Standards Codification (ASC). The following represents the more significant of those policies and practices.

Going Concern

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the fiscal years ended June 30, 2023 and 2022, the Company reported a consolidated net loss of \$39,634,345 and \$33,456,471, respectively, and had cash flows used in operating activities of \$35,783,563 and \$26,621,252, respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of these consolidated financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, the Company is in the process of

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

These consolidated financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

These consolidated financial statements include the accounts of the following entities, wholly owned by the Company as of June 30, 2023:

Name of Entity	Place of Incorporation
SEA Electric Holdings Pty Ltd.	Melbourne, AUS
SEA Automotive Pty Ltd.	Melbourne, AUS
SEA Electric Pty Ltd.	Melbourne, AUS
SEA Electric Vans Latrobe Valley Pty Ltd.	Melbourne, AUS
SEA Electric Asia	Bangkok, TH
SEA Electric Ltd.	Auckland, NZ
SEA Electric LLC	Delaware, USA
SEA Electric Inc.	Delaware, USA
SEA Electric GMBH	Vienna, AT

The entities listed above have been formed or acquired to support the intended operations of the Company.

New Accounting Pronouncements Recently Adopted

In August 2020, the FASB issued Accounting Standards Update (ASU) 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40)*, changes that simplified the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company adopted the standard on July 1, 2021. There was no impact upon adoption.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which is intended to simplify the accounting for income taxes by eliminating certain exceptions and simplifying certain requirements under Topic 740. Updates are related to intra-period tax allocation, deferred tax liabilities for equity-method investments, interim-period tax calculations, tax laws or rate changes

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

in interim periods, and income taxes related to employee stock ownership plans. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early-adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company adopted the change in fiscal year (FY) 2023 with no financial impact to the Company.

New Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This update is effective for the Company for fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of these changes on the consolidated financial statements.

Use of Estimates and Significant Judgments

The preparation of the Company's consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated financial statements include the allowance for doubtful accounts receivable and trade receivables; inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment, and intangible assets; valuation allowance on deferred income tax assets; determining the fair value of financial instruments; estimated variable consideration on contracts with customers; sales return estimates; and incremental borrowing rates and lease terms applicable to lease contracts.

Consolidated financial statement areas that require significant judgments are as follows:

Leases - The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancelable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use (ROU) asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

Foreign Currency

These consolidated financial statements are presented in United States dollars (USD), which is the Company's reporting currency. The functional currency of all of the Company's foreign subsidiaries, as determined by management, is the local currency of each entity. All assets and liabilities of the foreign subsidiaries are translated to USD at the rates in effect at the consolidated balance sheet date. All amounts in the consolidated statements of operations and comprehensive loss are translated using the average exchange rates in effect during the year. Resulting translation adjustments are reflected in the accumulated other comprehensive loss component of stockholders' equity. Settlement of receivables and payables in a foreign currency that is not in the functional currency results in foreign currency gains and losses. Foreign currency transaction gains and losses are included in other income in the consolidated statements of operations and comprehensive loss.

Cash and Cash Equivalents

Cash includes cash on hand, deposits with banks, and cash equivalents that are highly liquid investments that are readily convertible to cash. A cash equivalent is a highly liquid investment that at the time of acquisition has a maturity of three months or less. The Company did not have any cash equivalents on June 30, 2023 or 2022. On June 30, 2023 and 2022, the Company held cash balances in excess of insured limits of \$1,182,326 and \$9,761,935, respectively.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement (ASC 820)*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

Level 1 - This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, *Derivatives and Hedging (ASC 815)*.

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature, and the carrying value of long-term loans and convertible debt approximates fair value as they bear a market rate of interest.

Inventory

Inventory consists of raw materials, work-in-process, and finished goods and is stated at the lower of cost or net realizable value. Manufactured inventories are valued at standard cost, which approximates actual costs on a first-in, first-out basis. The Company records inventory reserves for excess or obsolete inventories based upon assumptions about current and future demand forecasts. If inventory costs exceed net realizable value, the Company will record reserve for the difference between the cost and the net realizable value. The net realizable value is determined based on the estimated selling price, in the ordinary course of business, less estimated costs to complete or dispose.

Property and Equipment, Net

Property and equipment, net is stated at cost less accumulated depreciation. Major renewals and improvements are capitalized while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. When property and equipment is retired or otherwise disposed of, a gain or loss is realized for the difference between the net book value of the asset and the proceeds realized thereon. Depreciation is calculated using the declining balance method.

Impairment of Long-Lived Assets

Long-lived assets such as property and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. The Company has not taken any impairment charges in fiscal years ending 2023 or 2022.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and lease liability (current and non-current) in the consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For operating leases, the lease expenses are generally recognized on a straight-line basis over the lease term and recorded to selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss.

The Company has elected to apply the practical expedient, for each class of underlying asset, except real estate leases, to not separate non-lease components from the associated lease components of the lessee's contract and account for both components as a single lease component.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Short-term leases include real estate and vehicles and are not significant in comparison to the Company's overall lease portfolio. The Company continues to recognize the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Convertible Notes

The Company evaluates its convertible notes to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815, *Derivatives and Hedging (ASC 815)*, paragraph 815-10-05-4 and paragraph 815-40-25. The result of this accounting treatment is that (if applicable) the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statements of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. In respect of the convertible notes issued to date by the Company, there were no embedded features under ASC 815 that were required to be bifurcated from the convertible notes.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound-derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the consolidated balance sheets as current or non-current to correspond with their host instrument.

Revenue Recognition

ASC 606 provides a five-step framework through which revenue is recognized when control of promised goods or services is transferred to a customer at an amount that reflects the consideration

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

to which the Company expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company concludes are within the scope of ASC 606, management performs the following five steps: (i) identifies the contract(s) with a customer; (ii) identifies the performance obligations in the contract(s); (iii) determines the transaction price, including whether there are any constraints on variable consideration; (iv) allocates the transaction price to the performance obligations; and (v) recognizes revenue when (or as) the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to in exchange for the performance obligation.

The Company generates the majority of its revenues from the sale of the SEA-Drive electric power systems. SEA-Drive electric power systems are sold directly from the Company. Revenue is recognized when the control of the goods is transferred to the customer, which occurs at a point in time, upon delivery to the customer. The Company also installs the SEA-Drive electric power systems into customer-owned chassis. The Company does not have material contracts where the Company utilizes a customer-owned chassis.

Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue, as the Company considers itself a pass-through conduit for collecting and remitting sales taxes. Excise duties that are both imposed on and concurrent with a specific revenue-producing transaction that are collected by the Company from a customer are included in revenue. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer products to customs. Accordingly, freight revenues on all product sales, when applicable, are also recognized on a consistent manner at a point in time. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

The Company considers whether there are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration and the existence of significant financing components (if any).

(i) *Variable Consideration*

Some contracts for the sale of goods may provide customers with a volume discount, bonuses for volume/quality achievement, or sales allowance. In addition, the Company may provide, in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company uses historical evidence, current information, and forecasts to estimate the variable consideration. The requirements in ASC 606 on constraining estimates of variable consideration are applied to determine the amount of variable consideration that can be included in the transaction price. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing its obligation to return the customer's consideration. The estimate is updated at each reporting period. The Company does not have any variable consideration for the years ended June 30, 2023 or 2022.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

(ii) *Significant Financing Component*

The Company may receive short-term advances from its customers. Using the practical expedient in ASC 606, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good to a customer and when the customer pays for that good or service will be one year or less. The Company has not received long-term advances from customers in FY 2023 or FY 2022. For FY 2024, a major customer has agreed to advanced payments for batteries and motors, which will be deducted from the purchase price invoiced to the customer.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

Accounts Receivable

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration). The Company monitors collections and payments from customers, and generally does not require collateral. Accounts receivable are generally due within 30 to 90 days. The Company provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. The Company reserves for an account when it is considered potentially uncollectible. The Company estimates its allowance for doubtful accounts based on historical experience, aging of accounts receivable, and information regarding the creditworthiness of its customers. To date, losses have been within the range of management's expectations. The Company writes off accounts receivable if it determines that the account is uncollectible. The allowance for doubtful accounts was \$350,424 and \$28,000 at June 30, 2023 and 2022, respectively.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract. The Company had contract liabilities of \$2,029,245 and \$746,744 at June 30, 2023 and 2022, respectively.

Income Taxes

The Company uses the asset-and-liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management assesses the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes uncertain income tax positions at the largest amount that is more likely

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs. The Company has reserved a full valuation allowance against its deferred tax assets.

Warranty

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.

Research and Development Costs

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services. For the years ended June 30, 2023 and 2022, the Company incurred \$1,134,062 and \$1,266,886, respectively, of research and development costs.

3. Inventory

Inventory consists of the following:

<i>June 30,</i>		2023		2022
Raw materials	\$	9,610,539	\$	9,224,160
Work-in-process		2,291,526		1,570,664
Total Inventory	\$	11,902,065	\$	10,794,824

4. Prepaid Expenses and Other Current Assets

Prepaid expense and other current assets are comprised of the following items:

<i>June 30,</i>		2023		2022
Prepaid expenses	\$	2,180,117	\$	5,549,372
Deposits		332,010		185,795
Other		-		611,723
Total Prepaid Expenses and Other Current Assets	\$	2,512,127	\$	6,346,890

Included in other current assets are amounts refundable from the Internal Revenue Service in the amount of \$0 and \$346,037 as of June 30, 2023 and 2022, respectively. At June 30, 2023, deposits

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

consist primarily of advance payments made to suppliers of batteries and other components in both FY 2023 and 2022, as further described in Note 15.

5. Property and Equipment, Net

Property and equipment, net is comprised of the following items:

<i>June 30,</i>	2023	2022
Capital work in progress	\$ -	\$ 55,358
Leaseholds and equipment	909,264	889,932
Furniture and equipment	507,044	452,637
Motor vehicles	761,968	810,181
Computer equipment	292,213	293,147
Computer software	225,796	233,339
Total Property and Equipment	2,696,285	2,734,594
Less: accumulated depreciation and amortization	(1,553,280)	(1,184,315)
Property and Equipment, Net	\$ 1,143,005	\$ 1,550,279

For the years ended June 30, 2023, and 2022, total depreciation and amortization on property and equipment was \$522,378 and \$535,947, respectively.

6. Leases

The Company maintained five leases in FY 2023 and FY 2022 for facilities located in Australia, the United States, and New Zealand, which are under long-term operating leases. One of the Company's leases is controlled by a related party at June 30, 2023 (see Note 16).

The table below presents certain information related to the Company's lease costs:

<i>June 30,</i>	2023	2022
Operating lease expense	\$ 1,635,637	\$ 475,877
Short-term lease expense	-	-
Total Lease Expense	\$ 1,635,637	\$ 475,877

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SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

ROU assets and lease liabilities for operating leases were recorded in the consolidated balance sheets as follows:

<i>June 30,</i>	2023	2022
Assets		
Operating lease right-of-use assets, net	\$ 1,954,597	\$ 2,317,276
Total Lease Assets	\$ 1,954,597	\$ 2,317,276
Liabilities		
Current Liabilities		
Current portion of lease liability	\$ 243,983	\$ 232,278
Non-Current Liabilities		
Lease liability, net of current portion	1,877,631	2,253,136
Total Lease Liability	\$ 2,121,614	\$ 2,485,414

The Company's lease agreements do not state an implicit borrowing rate; therefore, an internal incremental borrowing rate was determined based on information available at the lease commencement date for the purposes of determining the present value of lease payments. The incremental borrowing rate reflects the cost to borrow on a securitized basis in each market. The weighted-average remaining lease term and incremental borrowing rate is as follows:

<i>June 30, 2022</i>	2023	2022
Weighted-average remaining lease term - operating leases (in years)	4.1	4.30
Weighted-average discount rate - operating leases (%)	5.5	4.90

Future minimum lease payments (principal and interest) on the leases are as follows:

<i>Year ending June 30,</i>	Operating Leases	
	2023	2022
2023	\$ -	\$ 597,065
2024	626,997	610,433
2025	599,902	574,939
2026	510,041	475,231
2027	327,889	261,416
2028	324,835	-
	2,389,664	2,519,084
Less:		
Imputed interest	(129,057)	(256,949)
Foreign currency adjustment	(40,133)	(45,979)
Present Value of Future Minimum Lease Payments	\$ 2,220,474	\$ 2,216,156

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

7. Accrued Liabilities and Other

Accrued liabilities and other are comprised of the following items:

<i>June 30,</i>		2023	2022
Accruals	\$	6,244,183	\$ 2,336,796
Taxes and social security payments		1,456,996	1,568,819
Annual and long-service leave payable		514,961	481,461
Total	\$	8,216,140	\$ 4,387,076

8. Convertible Notes

Convertible notes are comprised of the following items:

<i>June 30, 2022</i>		2023	2022
Convertible notes	\$	17,000,000	\$ 10,000,000
Issuance costs		-	(87,221)
Total	\$	17,000,000	\$ 9,912,779

On June 29, 2022, the Company offered and issued \$10 million of convertible notes to four different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through November 30, 2023, the date at which unpaid principal and interest was due and payable. Additional costs incurred to obtain the debt will also be amortized through interest expense under the effective interest method.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholder's option. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

On July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes.

On November 10, 2022, the Company issued \$5 million convertible note to four investors under the same terms and conditions as the original convertible notes for \$10 million.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

9. Loans Payable

Loans payable consisted of the following:

<i>June 30,</i>	2023	2022
SBA loan	\$ 109,797	\$ 129,490
Promissory notes	20,000,000	-
Miscellaneous	1,278	1,544
Total Loans Payable	\$ 20,111,075	\$ 131,034

On February 23, 2023, the Company received a long-term promissory note from a Series A investor (Vestcor) for \$20 million. As of June 30, 2023, \$20 million had been provided to the Company. An additional promissory note for \$10 million was approved on July 19, 2023. Total promissory notes as of December 31, 2023 were \$30 million with an interest rate of 12% accruing to the principle and repayment due on February 28, 2025, for the first \$20 million, and the additional \$10 million is due if Company raises \$50 million of equity or July 31, 2024. The notes can be paid off prior to this date at the Company's option.

Loans payable for FY 2022 consisted primarily of a U.S. 30-year long-term bank loan. The 30-year long-term bank loan was entered into on June 30, 2020, and matures in June 2050. The interest rate charged on the loan is 3.75% with minimum repayment amounts of \$502 per month. The balance on the U.S. long-term bank loan was \$109,797 and \$129,490 at June 30, 2023 and 2022, respectively.

The U.S. government issued Paycheck Protection Program (PPP) loans in response to the COVID-19 pandemic. All loans are guaranteed by the U.S. Small Business Administration (SBA), have a maturity of five years, and require no collateral or personal guarantees. The Company signed the loan agreement in April 2020. The PPP loan of approximately \$103,000 was forgiven in full in October 2021.

10. Warranty Provision

Balance, July 1, 2021	\$ 162,315
Warranty expense incurred	107,135
Balance, June 30, 2022	269,450
Warranty expense incurred	599,646
Balance, June 30, 2023	\$ 869,096

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components, and workmanship for three years or 100,000 kilometers, whichever occurs first. Cost of sales within the consolidated statement of operations and comprehensive loss includes an amount equal to 1.5% of the sales price of the vehicle.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

11. Stockholders' Equity

Common Shares

The Company's certificate of incorporation authorized the Company to issue 12,500,000 shares of common stock with a par value of \$0.01. Holders of common stock are entitled to one vote in respect of each share held. All common shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with a consultant. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018, and provides three tranches of options, as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on June 30, 2028. On March 6, 2019, the consultant exercised their rights and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). In connection with the Re-Domiciliation discussed in Note 1, the 110,973 options were exchanged for 94,063 common shares of the Company.

In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash. Any shares issued would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into one share of the Company at a price of \$40.20 (being the same price used in the Series A funding) and is valid for a period of six months following completion of a go-public transaction. In the event the market capitalization of the Company resulting from the go-public transaction exceeds \$650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in June 2026. In June 2021, 14,926 shares and 61,942 options were issued to VIII Capital. In connection with the Re-Domiciliation discussed in Note 1, the options were exchanged for 61,942 options in the Company at the same exercise price of \$40.20 with the same maturity date of June 2026.

Series A Preferred Shares

On July 9, 2021, the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles LLC (MEV), a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket, and electric powertrain solutions for commercial vehicle and industrial markets located in Troy, Michigan. The agreement provided for MEV, which owns 83,333 shares of Series A Preferred Shares valued at \$60.00 per share, to have observer rights for the Company's board meetings. Invested funds were received in full on the date of signing the agreement.

On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company issued 62,500 Series A Preferred Shares at a price of \$80.00 per share in respect of this agreement.

On February 17, 2022, the Company raised \$10,200,000 through a Series A Funding round. The Company issued 127,500 Series A Preferred Shares at a price of \$80.00 per share.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

Series A Preferred Shares entitle the holder to same rights and privileges as the ordinary shares of the Company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferred Shares on an “as-converted basis.”
- The Company may also, but is not required to, declare and pay a dividend on the Series A Preferred Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preferred share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an “as-converted basis.”
- Series A Preferred Shares holds a priority right in the case of a liquidation event.
- Each Series A Preferred Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preferred Shares will automatically convert into ordinary shares at the then-effective conversion rate, immediately before a “Realization Event.” A Realization Event is defined as:
 1. A business sale.
 2. A share sale of 75% or more of the issued shares of the Company.
 3. An Initial Public Offering (IPO) of not less than \$75 million.
 4. Any other realization, including a merger, consolidation, acquisition, or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction do not, immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

These Series A Preferred Shares are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

Series B Preferred Shares

The Company is also authorized to issue 2,500,000 shares of Class B Preferred Shares with a par value of \$0.01. As of June 30, 2023, there were no shares of Class B Preferred Shares issued and outstanding.

12. Commitments and Contingencies

Legal Proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated financial statements.

Lease Commitments

The Company leases various facilities and vehicles under non-cancelable operating leases, which expire at various dates through June 2028.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

13. Revenue

Revenue Recognition

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

Disaggregation of Revenue

Revenues related to the following types of business and geographic regions were as follows:

Year ended June 30,	2023	2022
Products/services:		
SEA-Drive	\$ 16,632,537	\$ 5,778,725
Aftersales products and services	452,809	1,102,599
Total Revenues	\$ 17,085,346	\$ 6,881,324

Year ended June 30,	2023	2022
Primary geographic markets:		
Australia	\$ 6,934,521	\$ 4,614,945
New Zealand	128,999	198,431
United States	10,021,826	2,067,948
Total Revenues	\$ 17,085,346	\$ 6,881,324

SEA-Drive - This consists of sales of SEA-Drive electric power systems. The Company recognizes revenue when delivered to the customer.

The Company also installs the SEA-Drive electric power systems into customer-owned chassis. The Company does not have material contracts related to customer-owned chassis.

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

The Company had contract liability balances of \$2,029,245 for FY 2023 and \$746,744 for FY 2022, as detailed below:

Year ended June 30,	2023	2022
Contract liabilities:		
Balance, July 1	\$ 746,744	\$ 1,519,400
Customer deposits received	2,029,245	160,819
Released to revenue	(746,744)	(933,475)
Total Contract Liabilities	\$ 2,029,245	\$ 746,744

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

14. Income Taxes

For the years ended June 30, 2023 and 2022, the Company has net losses and \$0 of current state tax expense recorded. The Company has recorded a full valuation allowance on its deferred tax assets for the years ended June 30, 2023 and 2022 and no deferred tax expense was recorded.

The reconciliation of the Company's effective taxes to the statutory federal income taxes is as follows:

<i>June 30,</i>	2023	2022
Statutory U.S. federal income tax rate of 21%	\$ (8,323,212)	\$ (6,894,811)
Foreign rate differential	(560,972)	(869,218)
State tax benefit, net of federal benefit	(946,311)	(689,111)
Permanent items	(124,799)	1,918,370
Valuation allowance	9,849,242	6,464,657
Other	106,052	70,113
Income Tax Expense	\$ -	\$ -

The following table summarizes the components of deferred tax:

<i>Year ended June 30,</i>	2023	2022
Deferred tax assets:		
Net operating loss	\$ 20,576,311	\$ 12,213,707
Non-deductible accrued expenses	1,412,737	456,883
Lease liability	174,707	231,077
Unrealized gain	350,123	345,912
Disallowed interest expense	524,638	-
Capitalized research costs/other	-	70
Total Deferred Tax Assets	23,038,516	13,247,649
Deferred tax liabilities:		
Depreciation	(172,892)	(177,642)
Right-of-use asset	(162,407)	(215,841)
Total Deferred Tax Liabilities	(335,299)	(393,483)
Valuation allowance	(22,703,217)	(12,854,166)
Net Deferred Tax Balance	\$ -	\$ -

At June 30, 2023 and 2022, the Company had a federal net operating loss carryforward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carryforward period, and a state net operating loss carryforward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at June 30, 2023 and 2022, the Company has foreign net operating loss carryforwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carryforward period. The Company believes that it is more likely than not that the benefit from the net operating loss carryforwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of June 30, 2023 and 2022.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. The Company is generally subject to examination by taxing authorities for years ended June 30, 2020.

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statements of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheets at June 30, 2023 or 2022.

15. Concentrations of Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

16. Related Party Transactions

On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively. Total rent paid under this lease was approximately \$250,000 and \$241,000 for the years ended June 30, 2023 and 2022, respectively.

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services provided by a shareholder of the Company. AST Global is wholly owned and controlled by a founding shareholder of the Company.

Consulting Fees with John Pratt

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at June 30, 2022 and is included in accrued liabilities and other in the consolidated balance sheets. During 2022, John Pratt was appointed as a director of the Company.

17. Subsequent Events

On July 19, 2023, The Company obtained \$10 million in promissory notes from several different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through November 30, 2023, the date on which unpaid principal and interest was due and payable.

SEA Electric Inc.

Notes to Consolidated Financial Statements (in U.S. dollars)

In January 2024, the Company entered into a debt restructuring agreement with the holders of the Company's promissory notes and its convertible promissory notes. Pursuant to the terms of the debt restructuring agreement, the principal amount of all outstanding promissory notes and certain of the convertible promissory notes were consolidated into a series of senior secured promissory notes with a face amount of approximately \$47.0 million. The senior secured promissory notes mature in 2027 and bear interest at 12.0% per year. As security for the senior secured promissory notes, the holders were granted a first priority security interest over any and all Company assets. The debt restructuring agreement, among other things, also extended the maturity date for the remaining portion of the Company's existing convertible promissory notes until December 2024. Pursuant to the terms of the debt restructuring agreement, the remaining portion of the convertible promissory notes convert into (i) shares of the Company's common stock, in the event of certain merger transactions or (ii) equity securities of the Company issued in certain qualified financing transactions. If the remaining balance of the convertible promissory notes has not converted pursuant to (i) or (ii) in the preceding sentence on or before December 31, 2024, then such remaining portion of the convertible promissory notes will be exchanged for senior secured promissory notes on the same terms as the new senior secured promissory notes issued in January 2024.

No other matter or circumstance has arisen since June 30, 2023 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future fiscal years.

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Independent Auditor's Report

Shareholders and Board of Directors
Sea Electric Holdings Pty Ltd
Dandenong South, Victoria

Opinion

We have audited the consolidated financial statements of Sea Electric Holdings Pty Ltd and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity/deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 23 to the consolidated financial statements, the Company has elected to change its method of accounting for refundable R&D tax incentives in 2020.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman

Director

Sydney, NSW Australia

10 December 2021

SEA ELECTRIC HOLDINGS
CONSOLIDATED BALANCE SHEETS
(In U.S. Dollars)

	June 30, 2021	June 30, 2020 (Restated)
Assets		
Current Assets:		
Cash	\$ 8,678,861	\$ 466,208
Trade and Other Receivables	263,882	606,071
Inventory	5,418,643	1,562,939
Prepayments and Other	6,399,774	595,378
Total Current Assets	20,761,160	3,230,596
Non-Current Assets:		
Property, Plant & Equipment	1,525,093	754,524
Right-of-Use Assets	2,761,017	2,585,737
Intangibles	107,109	58,747
Total Non-Current Assets	4,393,219	3,399,008
Total Assets	\$ 25,154,379	\$ 6,629,604
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Trade and Other Payables	520,787	1,198,797
Accrued Liabilities and Other	3,297,657	1,677,453
Current Portion of Loans Payable	385,664	4,873,104
Convertible Notes	—	4,920,699
Current Portion of Lease Liability	445,952	354,348
Contract Liabilities	1,519,400	1,568,049
Total Current Liabilities	6,169,460	14,592,450
Non-Current Liabilities:		
Loans Payable Net of Current Portion	108,391	108,900
Lease Liability	2,403,412	2,326,758
Warranty Provision	162,315	138,544
Total Non-Current Liabilities	2,674,118	2,574,202
Total Liabilities	\$ 8,843,578	\$ 17,166,652
Commitments and Contingencies (Refer to Note 15)		
Stockholders' Equity Surplus:		
Ordinary Shares (AUD\$1 par value, unlimited shares authorized; 2,874,139 shares issued and outstanding at June 30, 2021, and 2,508,169 shares issued and outstanding at June 30, 2020)	1,995,576	1,721,244
Series A Preference Shares (No par value, 1,243,796 shares authorized; 1,102,784 issued and outstanding at June 30, 2021)	39,701,442	—
Additional Paid In Capital	11,278,395	7,246,640
Accumulated Deficit	(34,953,607)	(18,153,057)
Accumulated Other Comprehensive Loss	(1,711,005)	(1,351,875)
Total Shareholders' Equity Surplus / Deficit	16,310,801	(10,537,048)
Total Liabilities and Stockholders' Equity Surplus	\$ 25,154,379	\$ 6,629,604

See accompanying notes to the consolidated financial statements

SEA ELECTRIC HOLDINGS
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In U.S. Dollars)

	For the Years Ended June 30,	
	2021	2020 (Restated)
Revenue	\$ 1,545,028	\$ 3,177,376
Cost of Sales	(3,342,548)	(4,088,657)
Gross Loss	<u>(1,797,520)</u>	<u>(911,281)</u>
Operating Expenses:		
Selling, General and Administrative	(11,514,982)	(7,971,959)
Research and Development	(2,047,264)	(1,851,968)
Total Operating Expenses	<u>(13,562,246)</u>	<u>(9,823,927)</u>
Loss from Operations	<u>(15,359,766)</u>	<u>(10,735,208)</u>
Other Income	679,068	2,132,457
Interest Expense	(629,534)	(555,480)
Foreign Currency Gain (Loss)	(1,490,318)	67,964
Total Other Income/Expense	<u>(1,440,784)</u>	<u>1,644,941</u>
Net Loss Before Income Taxes	<u>(16,800,550)</u>	<u>(9,090,267)</u>
Current Income Taxes	—	—
Deferred Income Taxes	—	—
Loss After Income Tax Expense	<u>(16,800,550)</u>	<u>(9,090,267)</u>
Other Comprehensive Loss		
Foreign Currency Translation Adjustment	(359,130)	(52,627)
Total Comprehensive Loss	<u>\$ (17,159,680)</u>	<u>\$ (9,142,894)</u>

See accompanying notes to the consolidated financial statements

SEA ELECTRIC HOLDINGS
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/DEFICIT
(In U.S. Dollars)

	Common Stock			Series A Preference Shares		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity / Deficit
	Number of Shares	Amount	Additional Paid-in Capital	Number of Shares	Amount			
Balance as of June 30, 2019 (restated)	2,342,100	\$ 1,614,878	\$ 5,566,575	—	\$ —	\$ (9,062,790)	\$ (1,299,248)	\$ (3,180,585)
Net loss (restated)	—	—	—	—	—	(9,090,267)	—	(9,090,267)
Foreign Translation Adjustment (restated)	—	—	—	—	—	—	(52,627)	(52,627)
Total comprehensive loss (restated)	—	—	—	—	—	(9,090,267)	(52,627)	(9,142,894)
Issuance of Common Stock	117,105	72,605	1,231,630	—	—	—	—	1,304,235
Conversion of Debt to Equity	48,964	33,761	448,435	—	—	—	—	482,196
Balance as of June 30, 2020 (restated)	2,508,169	\$ 1,721,244	\$ 7,246,640	—	\$ —	\$ (18,153,057)	\$ (1,351,875)	\$ (10,537,048)
Net Loss	—	—	—	—	—	(16,800,550)	—	(16,800,550)
Foreign Translation Adjustment	—	—	—	—	—	—	(359,130)	(359,130)
Total comprehensive loss	—	—	—	—	—	(16,800,550)	(359,130)	(17,159,680)
Series A Preference shares	—	—	—	1,086,552	42,664,053	—	—	42,664,053
Costs of raising investors funds	—	—	—	—	(3,533,631)	—	—	(3,533,631)
Preferred convertible notes converted into Series A Preference Shares	—	—	—	16,232	571,020	—	—	571,020
Convertible notes converted into equity	365,970	274,332	4,031,755	—	—	—	—	4,306,087
Balance as of June 30, 2021	2,874,139	\$ 1,995,576	\$ 11,278,395	1,102,784	\$ 39,701,442	\$ (34,953,607)	\$ (1,711,005)	\$ 16,310,801

See accompanying notes to the consolidated financial statements

SEA ELECTRIC HOLDINGS
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. Dollars)

	For the Years Ended June 30,	
	2021	2020 (restated)
Cash Flows from Operating Activities:		
Net Loss	\$ (16,800,550)	\$ (9,090,267)
Adjustments to Reconcile Net Loss to Net Cash Used In		
Depreciation	258,303	235,044
Amortization of right-of-use assets	464,500	374,632
Interest on convertible notes	174,126	-
Change in Operating Assets and Liabilities:		
Account receivables	393,716	1,032,297
Inventory	(3,707,487)	983,652
Prepayments and other	(5,733,905)	69,203
Accounts payable	(779,221)	(844,465)
Accrued liabilities	1,471,895	168,681
Lease liabilities	(491,551)	(314,126)
Warranty provision	11,661	86,930
Contract liabilities	(48,649)	(202,637)
Net Cash Used in Operating Activities	(24,787,162)	(7,501,056)
Cash Flows from Investing Activities:		
Purchase of Intangible Assets	(43,104)	(32,339)
Additions to Property, Plant & Equipment	(960,852)	(230,392)
Net Cash Used in Investing Activities	\$ (1,003,956)	\$ (262,731)
Cash Flows from Financing Activities:		
Proceeds from issuance of shares	-	1,304,235
Borrowings under Trade Facility	-	1,672,311
Proceeds from loans payable	261,675	207,236
Repayment of Trade Finance debt facility	(5,167,781)	-
Repayment of convertible notes	(1,494,348)	-
Proceeds from issuance of Series A Preference Shares	42,664,053	-
Proceeds from Preference Convertible Notes	571,020	-
Costs of Series A Preference Shares	(3,533,631)	-
Issuance of Convertible Notes (convertible into ordinary shares)	336,232	4,788,140
Net Cash Provided by Financing Activities	33,637,220	7,971,922
Effect of exchange rate on cash	\$ 366,551	\$ 53,611
Change in cash during the year	7,846,102	208,135
Cash, Beginning of the Year	466,208	204,462
Cash and Cash Equivalents, End of Year	8,678,861	466,208
SUPPLEMENTAL INFORMATION		
Non-cash operating and financing activities		
Right-of-Use Asset and Lease Liability Additions	\$ 489,248	\$ 787,875
Non-cash financing activities		
Ordinary Shares issued on conversion of convertible notes	\$ 4,306,087	\$ —
Preference convertible notes converted into Series A Preference Shares	\$ 571,020	\$ —
Shares issued to settle loans payable	\$ —	\$ 482,196

See accompanying notes to the consolidated financial statements

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

1. Description of Business and Summary

Sea Electric Holdings Pty Ltd. (“Sea Electric” or the “Company”) was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporation Act 2001. Its registered office is located at 13 Advantage Dr, Dandenong South VIC 3175, Australia. SEA Electric is an automotive technology company that has created proprietary 100% electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world’s urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

2. Summary of Significant Accounting Policies

Basis of presentation and liquidity

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (the “FASB”) within its Accounting Standards Codification (“ASC”). The following represents the more significant of those policies and practices.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

For the fiscal year ended June 30, 2021, the Company reported a consolidated net loss of \$15,962,300 and a net loss (restated) of \$9,090,267 for the year ended June 30, 2020.

For the years ended June 30, 2021 and 2020, the Company had cash flows used in operating activities of \$24,787,162 and \$7,501,056, respectively.

As of June 30, 2021 and 2020, the Company had positive working capital of \$14,591,700 and negative working capital of \$11,361,854 (restated) respectively.

The Company believes that its existing resources will be sufficient to fund its planned operations and expenditures for at least the next 12 months from the issuance of these consolidated financial statements. However, if sufficient additional capital is not available as and when needed, the Company may have to delay, scale back operations, curtail its commercialization activities, significantly reduce expenses or raise additional funding.

These consolidated financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company’s financial position and results of operations.

Coronavirus Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 Outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 Outbreak as a pandemic, based on the rapid increase in exposure globally.

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

The Company is subject to the risks arising from the COVID-19 Outbreak’s social and economic impacts on their industry in the United States, Australia, New Zealand, Austria and Thailand. Management believes that these social and economic impacts, which to date have included but not been limited to the following, could have a significant impact on the Company’s future financial condition, liquidity, and the results of operations: (i) restrictions on in-person activities associated with capital financing transactions arising from shelter-in-place or similar isolation orders; ii) deteriorating economic conditions, such as increased unemployment rates, recessionary conditions, lower yields on individual investment portfolios, and more stringent economic conditions, such as increased unemployment rates, recessionary conditions, lower yields on individual investment portfolios.

To date, the Company has realized an operational impact from COVID-19 from a number of areas: (i) potential customers have not been able to visit to see and be shown the electrification of a chassis; ii) current customers have not been able to be fully serviced for issues with their EV vehicles and rectification of the issues; iii) supply of major and minor components from overseas and local suppliers has impacted on production timetables / delivery to customers and caused cash flow constraints; iv) full employment of staff in productive work has not always been possible because of COVID safe program, lack of parts and orders. This operational impact has also seriously impacted the Company’s ability to re-finance.

The full impact of the COVID-19 Outbreak continues to evolve as of the date of this report. As such, the Company cannot estimate the full magnitude that the pandemic will have on the Company’s business. If the COVID-19 Outbreak continues, it may have a material adverse effect on the Company’s financial condition, liquidity, and future results of operations for the year ended June 30, 2022, and beyond. Management is actively monitoring the impact of the global pandemic on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 Outbreak and the global response to curb its spread, the Company is not able to estimate the effects of the COVID-19 Outbreak on its results of operations, financial condition, or liquidity for the year ended June 30, 2022 and beyond.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

These financial statements include the accounts of the following entities wholly owned by the Company as of June 30, 2021:

Name of entity	Place of incorporation
SEA Electric Holdings Pty Ltd.	Melbourne, AUS
SEA Automotive Pty Ltd.	Melbourne, AUS
SEA Electric Pty Ltd.	Melbourne, AUS
SEA Electric Vans Latrobe Valley Pty Ltd.	Melbourne, AUS
SEA Electric Asia	Bangkok, TH
SEA Electric Ltd.	Auckland, NZ
SEA Electric LLC	Delaware, USA
SEA Electric GMBH	Vienna, Austria

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

The entities listed above are wholly owned by the Company and have been formed or acquired to support the intended operations of the Company and all intercompany transactions and balances have been eliminated in the financial statements of the Company.

Comparative Figures

Comparatives have been reclassified so as to be consistent with the presentation in the current year.

New accounting pronouncements recently adopted

Financial instruments

On July 1, 2019, the Company adopted FASB ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which updates certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. Most prominent among the changes in the standard is the requirement for changes in the fair value of equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income. The Company adopted the standard effective July 1, 2019. There was no impact on adoption.

Leases

ASC 842 requires leases to be accounted for using a right-of-use model, which recognizes that, at the date of commencement, a lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the lease term. The lessee recognizes a corresponding right-of-use asset related to this right. Effective July 1, 2018, the Company early adopted ASC 842 using the modified retrospective approach, which provides a method for recording existing leases at adoption using the effective date as its date of initial application. The Company also applied the practical expedient which provides an additional transition method which allows entities to elect not to recast comparative periods presented. The Company has elected this practical expedient in the adoption of the ASC 842. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term.

The Company elected the package of practical expedients provided by ASC 842, which allowed the Company to forgo reassessing the following upon adoption of the new standard: (1) whether contracts contain leases for any expired or existing contracts, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing or expired leases. In addition, the Company elected an accounting policy to exclude from the balance sheet the right-of-use assets and lease liabilities related to short-term leases, which are those leases with a lease term of twelve months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

New accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration.

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

This update will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This update is effective for smaller reporting entities as defined by the SEC, for fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of these changes on the Consolidated Financial Statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740) which is intended to simply the accounting for income taxes by eliminating certain exceptions and simplifying certain requirements under Topic 740. Updates are related to intraperiod tax allocation, deferred tax liabilities for equity method investments interim period tax calculations, tax laws or rate changes in interim periods, and income taxes related to employee stock ownership plans. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period.

In August 2020, the FASB issued ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40) changes which simplified the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The changes can be adopted no later than January 1, 2022, with early adoption permitted but only if adopted in the first quarter of the fiscal year in which adoption is implemented. Management is currently evaluating the impact of these changes on the Consolidated Financial Statements.

In March 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), that provide companies with optional guidance to ease the potential accounting burden associated with transitioning from reference rates that are expected to be discontinued. In response to the concerns about risks of IBORs and, particularly, the risk of cessation of LIBOR, regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. The changes provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In January 2021, the FASB issued additional clarification changes. The changes can be adopted no later than December 31, 2022 with early adoption permitted. Management is currently evaluating the impact of these changes on the Consolidated Financial Statements.

Use of estimates and significant judgments

The preparation of the Company's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated financial statements include the allowance for doubtful accounts receivable and trade receivables, inventory valuation adjustments that contemplate the market value of, and demand

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

for inventory, estimated useful lives of property and equipment and intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, estimated variable consideration on contracts with customers, sales return estimates, and incremental borrowing rates and lease terms applicable to lease contracts.

Financial statement areas that require significant judgments are as follows:

Leases – The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

Foreign Currency

These consolidated financial statements are presented in the United States dollar (“USD”), which is the Company’s reporting currency. The functional currency of the Company and its subsidiaries, as determined by management, is the local currency of the entity. These consolidated financial statements are presented in United States dollars.

Cash and cash equivalents

Cash includes cash on hand, deposits with banks, and cash equivalents which are highly liquid investments that are readily convertible to cash. A cash equivalent is a highly liquid investment that at the time of acquisition has a maturity of three months or less. The Company did not have any cash equivalents at June 30, 2021 or 2020. At June 30, 2021 and 2020, the Company held cash balances in excess of insured limits of \$8,134,705 and \$nil, respectively.

Fair value measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement, (ASC 820) defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

- Level 1 Valuations based on quoted prices for identical assets and liabilities in active markets.
- Level 2 Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

and liabilities in markets which are not active, or other inputs observable or can be corroborated by observable market data.

Level 3 Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses and other current liabilities approximate their fair value due to their short-term nature, and the carrying value of long term loans and convertible debt approximates fair value as they bear a market rate of interest.

Inventory

Inventory consists of raw materials, work-in-process, and finished goods and is stated at the lower of cost or net realizable value. Manufactured inventories are valued at standard cost, which approximates actual costs on a first-in, first-out basis. The Company records inventory reserves for excess or obsolete inventories based upon assumptions about our current and future demand forecasts. If inventory costs exceed net realizable value, the Company will record reserve for the difference between the cost and the net realizable value. The net realizable value is determined based on the estimated selling price, in the ordinary course of business, less estimated costs to complete or dispose.

Property, plant and equipment, net

Property and equipment, net is stated at cost less accumulated depreciation. Major renewals and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. When property, plant and equipment is retired or otherwise disposed of, a gain or loss is realized for the difference between the net book value of the asset and the proceeds realized thereon. Depreciation is calculated using the declining balance method.

Impairment of long-lived assets

Long-lived assets, such as property, plant, and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and right-of-use liabilities (current and non-current) in the balance sheets. Finance lease ROU assets are included in property and equipment, net and ROU liabilities (current and non-current) in the balance

SEA ELECTRIC HOLDINGS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars)

sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For operating leases, the lease expenses are generally recognized on a straight-line basis over the lease term and recorded to general and administrative expenses in the statements of net loss and comprehensive loss.

The Company has elected to apply the practical expedient, for each class of underlying asset, except real estate leases, to not separate non-lease components from the associated lease components of the lessee's contract and account for both components as a single lease component.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Short-term leases include real estate and vehicles and are not significant in comparison to the Company's overall lease portfolio. The Company continues to recognize the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Convertible Notes

The Company evaluates its convertible notes to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with Paragraph 815-10-05-4 of ASC and Paragraph 815-40-25 of the Codification. The result of this accounting treatment is that (if applicable) the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statements of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. In respect of the convertible notes issued to date by the Company, there were no embedded features under ASC 815 that were required to be bifurcated from the convertible notes.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity. Derivative instrument liabilities are classified in the balance sheet as current or non-current to correspond with its host instrument.

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Revenue recognition

ASC 606 provides a five-step framework through which revenue is recognized when control of promised goods or services is transferred to a customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company concludes are within the scope of ASC 606, management performs the following five steps: (i) identifies the contract(s) with a customer; (ii) identifies the performance obligations in the contract (s); (iii) determines the transaction price, including whether there are any constraints on variable consideration; (iv) allocates the transaction price to the performance obligations; and (v) recognizes revenue when (or as) the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to in exchange for the performance obligation.

The Company generates more than half of its revenues from the sale of the Sea Drive electric power systems. Sea Drive electric power systems are sold directly from the Company. Revenue is recognized when the control of the goods is transferred to the customer, which occurs at a point in time, upon delivery to the customer. The Company also installs the Sea Drive electric power systems into customer owned chassis. Revenue is recognized over time, as the asset has no alternative use to the Company and the Company has an enforceable right to payment for work completed to date.

Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Company considers itself a pass-through conduit for collecting and remitting sales taxes. Excise duties that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer are included in revenue. Freight revenues on all product sales, when applicable, are also recognized, on a consistent manner, at a point in time. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

The Company considers whether there are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration and the existence of significant financing components (if any).

(i) Variable Consideration

Some contracts for the sale of goods may provide customers with a volume discount, bonuses for volume/quality achievement, or sales allowance. In addition, the Company may provide in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company uses historical evidence, current information, and forecasts to estimate the variable consideration. The requirements in ASC 606 on constraining estimates of variable consideration are applied to determine the amount of variable consideration that can be included in the transaction price. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing

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its obligation to return the customer's consideration. The estimate is updated at each reporting period. The Company does not have any variable considerations for the financial years ended June 30, 2021 and June 30, 2020.

(ii) Significant financing component

The Company may receive short-term advances from its customers. Using the practical expedient in ASC 606, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good to a customer and when the customer pays for that good or service will be one year or less. The Company has not, nor expects to receive long-term advances from customers.

(iii) Contract balance

Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

Accounts receivable

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration). The Company monitors collections and payments from customers, and generally does not require collateral. Accounts receivable are generally due within 30 to 90 days. The Company provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. The Company reserves for an account when it is considered potentially uncollectible. The Company estimates its allowance for doubtful accounts based on historical experience, aging of accounts receivable and information regarding the creditworthiness of its customers. To date, losses have been within the range of management's expectations. The Company writes off accounts receivable if it determines that the account is uncollectible.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract.

Government incentives

On March 30, 2020, the Australian government enacted the JobKeeper subsidy, which among other things, help employers offset a portion of their employee wages for a limited period of time.

The Company elected to treat qualified government incentives from the Australian government as other income, which is disclosed in Note 17.

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Research and development tax rebate

The R&D Tax Incentive is recognized when payment is received because the Company believes this to be the appropriate time for the Company to determine with reasonable certainty the value of the incentive. These amounts are presented as other income, which is disclosed in Note 17.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management assesses the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs.

Loss per Share

In accordance with the provisions of ASC 260, “Earnings Per Share” and ASC 480, “Distinguishing Liabilities from Equity”, net loss per permanent equity comprising common shares and Series A Preference Shares is computed by dividing net loss by the weighted-average shares of permanent equity outstanding during the period. During a loss period, the effect of the potential exercise of stock options and convertible debt are not considered in the diluted loss per common share calculation since the effect would be anti-dilutive. The results of operations were a net loss for the years ended June 30, 2021 and 2020 and resulted in a loss per share of \$5.60 and \$3.71 (restated), respectively, based on weighted average number of shares of 3,063,355 and 2,450,013 respectively for the years ended June 30, 2021 and 2020.

The anti-dilutive shares of common stock outstanding for the years ended June 30, 2021 and 2020 were as follows:

	June 30,	
	2021	2020
Potentially dilutive securities:		
Stock options – Lepford Pty Ltd and VIII Capital G.P.	113,993	73,056
Convertible Promissory Notes – Aus-Care Holding	—	322,074
Convertible Loan Agreement – DJTR	—	125,471
	<u>113,993</u>	<u>520,601</u>

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Segment Information

The Company has determined that it operates and reports in one segment, which focuses on developing proprietary electric commercial vehicle drivetrain system technology for its customers. The Company's operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The Company's CODM has been identified as its Chief Executive Officer

Warranty

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 we choose 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.

Research and development costs

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services. For the years ended June 30, 2021 and 2020, the Company incurred \$2,047,264 and \$1,851,968 of research and development costs respectively.

3. Trade and Other Receivables

Trade and other receivable are comprised of the following items:

	June 30,	
	2021	2020 (Restated)
Trade Receivables	\$ 231,323	\$ 434,046
Government Incentives	—	145,833
Other Receivables	32,559	26,192
Total	<u>\$ 263,882</u>	<u>\$ 606,071</u>

Included in the trade receivables, net balance at June 30, 2021 and 2020 is an allowance for doubtful accounts of \$197,193 and \$98,602. Included in other receivables is a loan with the CEO amounting to \$14,963 and \$21,504 at June 30, 2021 and June 30, 2020, respectively and is further described in Note 21.

Government Incentives consist of the "JobKeeper" payment scheme, a program established by the Australian government to support businesses significantly affected by COVID-19. The balance receivable amounted to \$0 and \$145,833 for the years ended June 30, 2021 and June 30, 2020, respectively.

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4. Inventory

Inventory, net consists of the following:

	June 30,	
	2021	2020
Raw Materials	\$ 2,764,109	\$ 907,473
Work-In-Process	2,711,510	551,433
Finished Goods	—	128,361
	<u>5,475,619</u>	<u>1,587,267</u>
Less: Inventory Provision	(56,976)	(24,328)
Total Inventory, Net	<u>\$ 5,418,643</u>	<u>\$ 1,562,939</u>

During the years ended June 30, 2021, the Company recorded an increase in its inventory reserve of approximately \$32,648.

5. Prepayments and Other

Prepayment and Other are comprised of the following items:

	June 30,	
	2021	2020
Prepayments	\$ 799,387	\$ 360,277
Deposits	5,391,871	124,188
Other	108,091	18,538
Unpaid share capital	100,425	92,375
Total	<u>\$ 6,399,774</u>	<u>\$ 595,378</u>

Pursuant to the share subscription agreement dated June 22, 2017, 44,500 of ordinary class shares were issued to Nitrobury Pty Ltd. and Winvi Pty Ltd. in exchange for cash of \$453,386 (AUD\$600,000) and for legal services to be paid on behalf of the Company amounting to \$277,760 (AUD\$400,000). At June 30, 2021 and 2020, the unpaid capital relating to legal services yet to be incurred amounted to \$100,425 and \$92,376, respectively. Jason Warat (shareholder) is the trustee of both Nitrobury Pty Ltd, and Winvi Pty Ltd.

During the year ended June 30, 2021 to secure supply of batteries the company placed an order for 1,000 units at a cost of \$24,791,500 with a deposit of \$4,958,300 required, this is the main reason for the increase in deposits in 2021.

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6. Property, Plant and Equipment, net

Property and equipment, net is comprised of the following items:

	June 30,	
	2021	2020
Capital Work in Progress	\$ 10,222	\$ —
Plant and equipment	690,774	412,410
Furniture and equipment	337,742	289,367
Motor vehicles	744,525	226,906
Computer equipment	271,534	152,527
Computer software	248,975	165,000
Total Property and Equipment	<u>2,303,772</u>	<u>1,246,210</u>
Less accumulated depreciation and amortization	<u>(778,679)</u>	<u>(491,686)</u>
Property and Equipment, net	<u>\$ 1,525,093</u>	<u>\$ 754,524</u>

For the years ended June 30, 2021 and 2020, total depreciation and amortization on property and equipment of \$258,303 and \$235,044, respectively.

7. Leases

During the year ended June 30, 2021, the Company maintained five leases of facilities located in Australia, the United States, and New Zealand under operating leases.

The table below presents certain information related to the Company's lease costs:

	June 30,	
	2021	2020
Operating lease expense	511,079	384,656
Short-term lease expense	—	—
Total	<u>\$ 511,079</u>	<u>\$ 384,656</u>

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Right-of-use assets and lease liabilities for operating leases were recorded in the consolidated balance sheet as follows:

	June 30,	
	2021	2020
Assets:		
Right-of-use assets, net	2,761,017	2,585,737
Total lease assets	<u>\$ 2,761,017</u>	<u>\$ 2,585,737</u>
Liabilities:		
Current liabilities:		
Operating lease liabilities, current	445,952	354,348
Non-current liabilities:		
Operating lease liabilities, net of current portion	2,403,412	2,326,758
Total lease liability	<u>\$ 2,849,364</u>	<u>\$ 2,681,106</u>

The Company's lease agreements do not state an implicit borrowing rate; therefore, an internal incremental borrowing rate was determined based on information available at the lease commencement date for the purposes of determining the present value of lease payments. The incremental borrowing rate reflects the cost to borrow on a securitized basis in each market. The weighted-average remaining lease term and incremental borrowing rate for June 30, 2021 and 2020 is as follows:

	June 30,	
	2021	2020
Weighted-average remaining lease term (years) – operating leases	5.3	6.9
Weighted-average discount rate – operating leases	4.90%	4.99%

Future minimum lease payments (principal and interest) on the leases are as follows:

		Operating Leases
		June 30, 2021
	2022	\$ 587,968
	2023	626,380
	2024	642,115
	2025	602,587
	2026	498,003
	2027	284,871
	Thereafter	293,417
	Total minimum lease payments	\$ 3,535,341
	Deferred rent	(127,368)
	Less imputed interest	(486,359)
	Foreign currency adjustment	\$ (72,250)
	Present value of future minimum lease payments	<u>\$ 2,849,364</u>

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During the years ended June 30, 2021 and 2020, the Company entered into two leasing agreements (operating lease):

- On January 15, 2020, the Company entered into an operating lease agreement to lease property in Torrance, CA, for a period of 6 years and 1.5 months. Payments are due on the 15th of each month, with the final payment due on the last day of February 2026. Payments increase each February by 3% through the lease term. Variable payments separate from the base rent (Common Area Maintenance – CAM charges and designated payments) are due on the same day as base rent payments. Present value payment amounts were calculated using an incremental borrowing rate of 5% annually. The criteria for finance lease treatment were considered, with none of the criteria being met for this lease. As such, the property is classified as an operating lease.
- On March 16, 2021, the Company entered into an operating lease agreement to lease property in Grimes, Iowa, USA for a period of 5 years and 2 months. Payments are due on the 7th business day of each month, with the final payment due on the 7th June 2026. Present value payment amounts were calculated using an incremental borrowing rate of 5% annually. The criteria for finance lease treatment were considered, with none of the criteria being met for this lease. As such, the property is classified as an operating lease.

8. Intangible Assets

Intangible assets are comprised of the following items:

	June 30,	
	2021	2020
Patents and trademarks	\$ 117,671	\$ 58,747
Less: accumulated amortization	(10,562)	—
Total	<u>\$ 107,109</u>	<u>\$ 58,747</u>

The Patents and Trademarks are fixed lived intangible assets. Accordingly, the Company has recorded \$10,562 and \$0 of amortization expense for the years ended June 30, 2021 and 2020, respectively. The Company capitalized \$58,924 of costs and legal fees related to the registration of Patents and Trademarks for the year ended June 30, 2021.

9. Trade and Other Payables

Accounts payable are comprised of the following items:

	June 30,	
	2021	2020
Accounts payable – trade	\$ 520,787	\$ 953,659
Other payables	—	245,138
Total	<u>\$ 520,787</u>	<u>\$ 1,198,797</u>

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10. Accrued Liabilities and Other

Accrued liabilities and other comprised of the following items:

	June 30,	
	2021	2020
Accruals	\$ 1,377,711	\$ 389,351
Taxes and social security payments	1,413,801	865,204
Annual and long service leave payable	442,280	321,432
Other	63,865	101,466
Total	\$ 3,297,657	\$ 1,677,453

11. Convertible Notes

Convertible notes are comprised of the following items:

	June 30,	
	2021	2020
Convertible Promissory Notes – Aus-Care Holdings	\$ —	\$ 3,541,656
Convertible Loan Agreement – DJTR	—	1,379,043
Total	\$ —	\$ 4,920,699

On March 23, 2020, the Company entered into a convertible note with Aus-Care Holdings Pty Ltd and Bell-Allen Holdings Pty Ltd (“Lenders”) in the amount of up to \$3,792,250 (AUD\$5,500,000). The note has a term of three years and bears an interest rate of 13 % per annum with interest payments required on a monthly basis. The lenders have the option to convert the outstanding loan balance into shares of common stock of the Company at any time prior to the end of the loan term. The Company deemed the conversion feature to be reset to the actual fair value of the Company’s shares and therefore no beneficial conversion feature would be recorded separately. On November 30, 2020, the note converted into equity of the Company. The principal and interest outstanding amounted to \$4,306,087 (AUD\$5,836,447) and converted into 365,970 ordinary shares at AUD\$15.90 a share.

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On October 29, 2018, the Company entered into a grant agreement with the State of Victoria Department of Development, Jobs, Transport and Resources (DJTR). The grant provides the Company payments in installments of varying amounts from January 1, 2019 through November 2023 for total proceeds of up to \$7,500,000 (AUD\$10,500,000). The Company identified that as a result of the orders it had received and to facilitate its ability to achieve the milestones in the grant agreement, it required further funds. Without those funds, the ability of the Company to achieve those milestones may be delayed and consequently the pace at which it employees people in the Latrobe Valley will be slower. On December 12, 2019, the Company entered into a convertible loan agreement (DJTR loan) with the State of Victoria drawn from the previous grant agreement and received \$1,379,043 (AUD\$2,000,000). The loan is repayable by March 2021 (being 5 years after the project site possession date) and bears interest at a rate equal to the rate on the Westpac trade finance facility less 1%. The lenders have the option to convert the outstanding loan balance into shares of common stock of the Company at any time prior to the end of the loan term. The conversion price would be determined by an independent expert prior to conversion. The Company deemed the conversion feature to be reset to the actual fair value of the Company's shares and therefore no beneficial conversion feature would be recorded separately. The loan is subject to compliance with the Westpac Trade Financing Loan covenants and any breach would be considered an event of default with DJTR. As described in Note 12, the Westpac facility was breached in May 2020 and the DJTR lender has declared all amounts owing be immediately due and payable. The Loan was paid off on February 28, 2021.

12. Loans Payable

Loans payable consists of the following:

	June 30,	
	2021	2020
Westpac Trade facility	\$ —	\$ 4,769,031
Other loans	494,055	212,973
Total loans payable	494,055	4,982,004
Long-term portion	(108,391)	(108,900)
Short-term loans payable	385,664	4,873,104

On September 26, 2018, the Company established a trade finance loan with Westpac for AUD\$2,000,000. The loan has a maximum term of 120 days per trade parcel and bears interest at a rate of 6.29% with interest payments required on a monthly basis. As of June 30, 2021 and 2020, the balance on the trade finance loan was \$0 and \$4,769,031, respectively.

In May 2020, the Company breached the conditions of its bank covenants with Westpac trade financing loan. Subsequently, on May 26, 2020, Westpac and the Company agreed to a "standstill" agreement. This agreement stated that Westpac would not take any actions related to the breaches or outstanding balance. The Company in exchange for entering into the standstill agreement was to procure additional funding as soon as possible and pay \$1,172,187 towards the loan facility outstanding balance. The standstill letter expired on August 31, 2020 and funds were raised by VIII Capital in the amount of \$42 million. The Company and Westpac entered into a new "standstill" agreement in September 2020. Westpac again agreed not to take any actions related to the breaches or outstanding balance until 2021. The Company has paid off the Westpac facility on February 25, 2021 for the outstanding balance of \$5,167,781.

Other Loans consist of a USD Paycheck Protection Program ("PPP") COVID loan and a US 30 year long term bank loan. The US Government issued PPP loans in response to the COVID Pandemic. All loans are guaranteed by the U.S.

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Small Business Administration, have a maturity of 5 years, and no collateral or personal guarantees are required. Additionally, the principal of the loan balance will either be partially or fully forgiven under certain circumstances. The Company signed the loan agreement in April 2020. The 30 year long term loan was entered into in June 30, 2020. The interest rate charged on the loan was 3.75% with minimum repayment amounts of \$502 per month. As of June 30, 2021, the outstanding balances of the PPP loan and US 30 years long term bank loan were \$108,391 and \$108,900, respectively.

On June 30, 2021, the Company entered into an Insurance Premium Funding agreement with QPR Limited to fund insurance premiums totaling AUD\$434,021 over an eight month period. The total cost being AUD446,174 repayable over 10 instalments, at a flat interest rate of 2.8%.

13. Warranty Provision

	June 30,	
	2021	2020
Opening Balance July 1	\$ 138,544	\$ 49,554
Warranty expense incurred	22,587	86,924
Cumulative translation adjustment	1,184	2,066
Closing Balance June 30	<u>\$ 162,315</u>	<u>\$ 138,544</u>

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components and workmanship for 3 years or 100,000 kilometers whichever occurs first.

14. Stockholders' Equity

Ordinary Shares

The Company's certificate of incorporation authorized the Company to issue an unlimited number of ordinary shares with a par value of AUD\$1. Holders of ordinary shares are entitled to one vote in respect of each share held. All ordinary shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with Lepford Pty Ltd. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018 and provides 3 tranches of options as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on June 30, 2028, On March 6, 2019, Lepford Pty Ltd exercised their rights under the stock-based compensation plan and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). No options were exercised during the year ended June 30, 2020 or 2021.

On November 30, 2020, the Company issued 365,970 shares to Aus-Care Holdings Pty Ltd on the conversion of \$4,306,087 (AUD\$5,836,447) worth of certain convertible notes as described in Note 11.

On April 30, 2020, the Company issued 48,964 shares to investors in connection with the conversion of outstanding promissory notes payable of \$482,196 as described in Note 21.

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During the year ended June 30, 2020 the Company issued 117,105 total of common stock in exchange for total proceeds of \$1,304,235 (AUD\$2,002,688).

In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash or shares (at the option of VIII Capital). Any shares issues would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into 1 share of the Company at a price of USD\$40.20 (being the same price used in the Series A funding) and are valid for a period of 6 months following completion of a Go-Public transaction. In the event the market capitalization of the Company resulting from the Go-Public transaction exceeds USD650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in June 2026. In June 2021, 14,926 shares and 61,942 options were issued to VIII Capital. The Company paid \$3,533,631 to VIII Capital and other advisors as part of the capital raise efforts during the financial year.

Series A Preference Shares

In November 2020, the Company issued non-redeemable unsecured preferred convertible notes amounting to \$571,020. Each note is valued at USD\$1. The capital of the note is not repayable, other than on winding up or capital reduction of the Company in accordance with applicable law. The notes do not bear interest and are automatically converted upon a Triggering Event defined as the conversion date (being the date Series A Preference Shares are first issued or May 31, 2021, whichever is earlier), a change of control or an exit, but are not otherwise convertible. The number of conversion shares to be issued is equal to the amount of capital divided by the price of Series A Preference shares (USD\$40.20) multiplied by a discount of 90.2%.

In February and March 2021, the Company raised \$42,664,053 through a Series A funding round. The outstanding preferred convertible notes were immediately converted into Series A shares (16,232 Series A Preference Shares) and the Company issued 1,061,302 Series A Preference Shares to new and existing shareholders.

Series A Preference shares entitle the holder to same rights and privileges as the ordinary shares of the company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferences shares on an 'as converted basis'.
- The Company may also, but is not required to declare and pay a dividend on the Series A Preference Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preference share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an 'as converted basis'.
- Series A Preference Shares holds a priority right in the case of a liquidation event.

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Each Series A Preference Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preference Shares will automatically convert into ordinary shares at the then effective conversion rate, immediately before a 'Realization Event'. A Realization Event is defined as:

1. a business sale,
2. a share sale of 75% or more of the issued shares of the company,
3. an IPO of not less than USD\$75 million, and/or
4. any other realization, including a merger, consolidation, acquisition or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction, do not immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

These Series A Preference shares are treated as permanent equity under ASC 480, "Distinguishing Liabilities from Equity".

15. Commitments and Contingencies

Legal proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated financial statements.

Lease commitments

The Company leases various facilities and vehicles under non-cancelable operating leases, which expire at various dates through June 2028.

16. Revenue

Revenue Recognition

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

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Disaggregation of Revenue

Our revenues related to the following types of business and geographic regions were as follows:

	June 30,	
	2021	2020
<i>Products/Services</i>		
SEA Drive	\$ 1,378,089	\$ 2,348,942
Product Adaptation and Licensing	11,789	309,462
Aftersales Products and Services	133,903	141,232
Other	21,247	377,740
Total Revenues	\$ 1,545,028	\$ 3,177,376

	June 30,	
	2021	2020
<i>Primary Geographic Markets</i>		
Australia	\$ 989,218	\$ 1,833,241
New Zealand	315,673	983,065
United States	240,137	361,070
Total Revenues	\$ 1,545,028	\$ 3,177,376

Revenues

SEA-Drive – consists of sales of SEA-Drive electric power-systems. The Company recognizes revenue when delivered to the customer.

The Company also installs the Sea Drive electric power systems into customer owned chassis. The Company recognizes revenue over time, as the asset has no alternative use to the Company and the Company has an enforceable right to payment for work completed to date.

Revenues of Sea-Drive electric power systems amounting to \$964,013 were recognized at a point in time for the year ended June 30, 2021 and \$1,865,629 for the year ended June 30, 2020. The Company also does installations of Sea-Drive electric systems in customer owned chassis and recognized \$414,028 over time for the year end June 30, 2021, and \$483,313 for the year ended June 30, 2020.

Licensing – consists of licensing and royalties fees associated with the Company providing license partners with the ability to use the patented technology.

Product adaptation – consists of the adaptation of customer vehicles to SEA Drive electric power-system. The Company recognizes revenue once the adaption has been approved by the customer.

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

Other – miscellaneous revenue consisting of engineering and labor charges, rebates, and sales of parts.

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The Company had contract liability balances of \$1,519,400 and \$1,568,049 as of the year ended June 30, 2021 and June 30, 2020, respectively.

	June 30,	
	2021	2020
Contract Liabilities		
Opening Balance	\$ 1,568,049	\$ 1,788,780
Customer Deposits received	543,665	3,743,252
Released to Revenue	(822,531)	(3,917,955)
Foreign currency adjustment	230,217	(46,028)
Closing Balance	<u>\$ 1,519,400</u>	<u>\$ 1,568,049</u>

17. Other Income

	June 30,	
	2021	2020 (Restated)
Government Support	\$ 678,832	\$ 458,858
R&D Incentives	—	1,673,599
Other	236	—
Total	<u>\$ 679,068</u>	<u>\$ 2,132,457</u>

The Company participates in the JobKeeper payment scheme, a program established by the Australian government to support businesses significantly affected by COVID-19. The purpose of this scheme is to assist employers by subsidizing employee wages during the COVID-19 pandemic. Employers pass on the amounts received from this scheme to eligible employees. The Company received \$678,832 and \$458,858 of subsidized employee payments related to this scheme for the financial years ended June 30, 2021 and June 30, 2020, respectively.

The Company availed of the R&D Tax incentive, a business assistance program administered by the Australian Government to encourage and support business to undertake R&D activities. In return for conducting qualified research and development activities, the Company is eligible to claim an R&D tax offset that can be applied against tax liabilities. If the R&D tax offset exceeds the Company's tax liability, the balance is paid to the Company in cash.

The Company recognizes R&D income on a cash received basis.

The Company received \$0 and \$1,673,599 (restated) of income related to approved R&D activity during the year ended June 30, 2021 and June 30, 2020, respectively.

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18. Selling, General and Administrative Expenses

Selling, general and administrative expenses are comprised of the following items:

	June 30,	
	2021	2020
Salaries and benefits	\$ 5,727,508	\$ 4,255,495
Depreciation and amortization	258,303	235,044
Professional fees	1,875,065	428,375
Legal expenses	768,925	238,383
Rents	502,971	427,220
Other expenses	2,382,210	2,387,442
Total	<u>\$ 11,514,982</u>	<u>\$ 7,971,959</u>

19. Income Taxes

For the years ended June 30, 2021 and 2020, the Company has net losses, and no current tax expense was recorded. The Company has recorded a full valuation allowance on its deferred tax assets for the years ended June 30, 2021 and 2020 and no deferred tax expense was recorded.

Numerical reconciliation of income tax expense and tax at the statutory rate:

	June 30,	
	2021	2020
Loss before income taxes:	\$ (16,800,550)	\$ (9,090,267)
Prima facie income tax benefit calculated at 28%	(4,704,154)	(2,545,275)
Deferred tax assets not recognized	4,704,154	2,545,275
Income tax benefit (expense)	<u>\$ —</u>	<u>\$ —</u>

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The following table summarizes the components of deferred tax:

	June 30,	
	2021	2020
Deferred tax assets		
Operating loss carryforwards	\$ 9,683,011	\$ 4,554,911
Allowance for doubtful accounts	55,214	27,608
Inventory reserve	15,953	6,812
Financing leases	60,400	50,173
Provision for warranties	45,448	38,792
Employee entitlements	153,567	158,472
Total deferred tax assets	\$ 10,013,593	\$ 4,836,768
Net deferred tax assets	10,013,593	4,836,768
Valuation allowance	(10,013,593)	(4,836,768)
Net amount recorded	—	—

The Company had net operating loss carryforwards of approximately \$34.6 million for the financial year ended June 30, 2021 and \$16.3 million for the financial year ended June 30, 2020. The Company believes that it is more likely than not that the benefit from the net operating losses carried forward will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance on the deferred tax assets.

20. Financial Instruments

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company is dependent on its relationship with Soundon New Energy Technology Co., Ltd ("Soundon") for the supply of battery systems. Of the inventory purchases made during the year, 7% (June 30, 2020: 37%) related to Soundon. Included in prepayments and other assets are \$5,561,811 and \$164,825 paid to Soundon at June 30, 2021 and 2020, respectively.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is not exposed to currency risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of June 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, debt, and lease liabilities. The Company manages liquidity risk by reviewing its capital requirements on an ongoing

SEA ELECTRIC HOLDINGS
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basis. Historically, the Company's main source of funding has been additional funding from shareholders. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

21. Related Party Transactions

On July 18, 2020, the Company entered into a 10-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund ("the lessors") for Unit 1, 13 Advantage Drive, Dandenong South, Melbourne Victoria Australia. The Company pays to the lessors, monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively.

During the year ended June 30, 2021, the Company had made payments of \$224,152 (AUD\$300,000) to AST Global for engineering consultancy services provided by a shareholder of the Company. During the year ended June 30, 2020, the Company had made payments of \$201,405 (AUD\$300,000) to AST Global for similar engineering consultancy services. AST Global is wholly-owned and controlled by a founding shareholder of the Company.

As of June 30, 2019, the Company had outstanding loans due to Bellatron Pty Ltd, of \$288,470 and Margfair Pty Ltd of \$272,373. The Chief Executive Officer and a shareholder have controlling equity ownership in Bellatron Pty Ltd. and Margfair Pty Ltd., respectively. On March 31, 2020, these loans converted into ordinary shares in the Company (see Note 14).

During, the financial year ended June 30, 2019, the Company entered into promissory note arrangements with Margfair Pty Ltd. and Bellatron Pty Ltd. The trustees of these two entities are the Chief Executive Officer and a founding shareholder of the Company. No formal written loan documentation of the original loans were executed. Accordingly, no interest or conversion details were noted, and the outstanding balances were deemed unsecured. On March 31, 2020, the Company entered into a debt to equity conversion arrangement and the outstanding notes were converted into ordinary shares of the Company. On conversion, Bellatron Pty Ltd, and Margfair Pty Ltd, each received 24,482 ordinary shares.

During the year ended June 30, 2019, the Company signed an option deed with Lepford Pty Ltd, which is controlled by a director. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018 and provides 3 tranches of options as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on June 30, 2028. On March 6, 2019, Lepford Pty Ltd exercised their rights under the stock-based compensation plan and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). No options were exercised during the year ended June 30, 2020 or 2021.

During the year ended June 30, 2021 and 2020, the Company made payments of \$75,971 and \$39,454, respectively, to a consultant employed by Patico Pty Ltd. Patico is wholly owned by the Company's Chief Executive Officer.

SEA ELECTRIC HOLDINGS
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In November 2020, the Company issued the following non-redeemable unsecured preferred convertible notes to related parties:

Related Party	Amount	Number of Notes
Bellatron Pty Ltd (an entity controlled by Tony Fairweather)	\$ 35,430	35,430
Margfair Pty Ltd (an entity controlled by Tony Fairweather)	\$ 35,430	35,430
Lepford Pty Ltd (an entity controlled by Chris Leptos)	\$ 78,860	78,860
Aus-Care Holdings Pty Ltd (and entity controlled by John Bell-Allen)	\$ 177,150	177,150
David Wisnieski	\$ 75,000	75,000

- ***Loans with David Wisnieski***

In November 2020, David Wisnieski made a direct transfer from his bank account to the payroll processing company for \$68,484 to cover the direct payroll for the month of November for the Company and it was recorded as a loan. In February 2021, when the initial \$10 million of the A-series funded was received by the Company, the loan was repaid.

- ***Loans with Bee Shiraz***

In October and November 2020, Bee Shiraz made two loans for AUD\$20,000 and AUD\$25,000, respectively, to help cover the payroll costs and other payables owed by the Company which were recorded as loans. In February 2021, when the initial \$10,000,000 from the A-series funded was received by the Company, the loans were repaid.

- ***Loan receivable from Tony Fairweather***

Tony Fairweather's employment agreement dated March 16, 2020 included a compensation package which was paid partially in USD and partially paid in AUD as well as a car allowance and other incentives. In February 2021, the Board of Directors verbally agreed to increase Tony's total compensation to USD\$500,000 per year and started paying a USD\$4,000 per month car allowance. However, there were no adjustments to the salary component paid in AUD and resulted in an over payment of USD\$132,584, which is reflected in Note 3 as other receivable. The board approved unpaid leave accruals and any refunds on payroll tax paid will be used to offset this loan. The loan is unsecured and non-interest bearing. The Board expects repayment in full by December 2021.

- ***Personal expenses paid on behalf of Tony Fairweather***

In 2020, the Company agreed to pay certain personal legal expenses, which amounted \$23,303 and was reflected as a loan within Note 3 as other receivable. In 2021, the Company agreed to pay waive repayment on the legal fees paid in 2020 and also paid additional personal legal, travel and other costs, which amounted to \$69,046 for the year ended June 30, 2021.

- ***Consulting fees with Bee Shiraz***

Bee Shiraz left the Company in April 2021. Subsequently, the Company entered into a consulting arrangement, effective May 1, 2021 to support miscellaneous activities. The Company incurred consulting costs under this arrangement of \$35,834 and outstanding payables of \$17,917 at June 30, 2021.

- ***Consulting fees with John Pratt***

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021 to provide strategic and financial advice. The Company incurred consulting costs under this arrangement of \$838,250 and outstanding accruals of \$838,250 at June 30, 2021. Subsequent to June 30, 2021, John Pratt was appointed as a director of the Company.

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22. Subsequent Events

On July 9, 2021 the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles (“MEV”) LLC, a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for commercial vehicle and industrial markets located in Troy, Michigan. The agreement provides for MEV, which owns 83,333 shares of Series A Preference Shares valued at USD\$60.00 per share, to have observer rights for the Company board meetings. Invested funds were received in full on the date of signing the agreement.

With the transition of the SEA Electric global headquarters to the US, completion of the Series A funding round, addition of two directors in North America in July 2021 (John Pratt and Tony Loria), Chris Leptos submitted his resignation to the Board effective August 9, 2021. The Board now consists of John Bell Allen, Tony Fairweather, Tony Loria and John Pratt. There presently is no chairperson of the Board.

On October 15, 2021, the Company received a purchase order from GATR Truck Center (“GATR”), which has been servicing Minnesota and Iowa, with its five locations offering full support to the medium and heavy market segments, including leasing and rental options amounting to \$104,000,000 to purchase 1,150 zero-emission SEA M5 electric vehicles for its customers across Minnesota and Iowa. On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company plans to issue 62,500 Series A Preference Shares at a price of US\$80.00 per share in respect of this agreement.

On October 29, 2018, the Company entered into a grant agreement with the State of Victoria Department of Development, Jobs, Transport and Resources (DJTR). The grant provides the Company payments in installments of varying amounts from January 1, 2019 through November 2023 for total proceeds of up to \$7,500,000 (AUD\$10,500,000). During the year ended 2019, the Company received \$793,954 (AUD\$1,100,000), representing the first milestone payment. The State Government issued a breach letter dated June 29, 2021 in relation to this grant to terminate the grant and enforce the State’s rights, including a right to require a refund of grants funds with penalty interest. On November 16, 2021 the parties signed a Deed of Termination of Grant Agreement which released the Company from any repayment and released the State of Victoria from providing any further funding pursuant to the Grant Agreement.

On November 12, 2021, MEV signed a Further Subscription Agreement to receive 28,571 Series A Preference Shares at a price of USD\$70.00 per share amounting to \$1,990,970. Investor funds are expected to be received in full by 31 December 2021.

No other matter or circumstance has arisen since June 30, 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

SEA ELECTRIC HOLDINGS
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23. Restatement of prior year comparatives

The Company previously accounted for refundable R&D tax incentives whereby, the Company considered it was reasonably certain they would receive the incentive given the success of historical claims and recorded the income on an accruals basis. The Company has determined it is no longer reasonably certain that it can reliably quantify, at the time of preparing its consolidated financial statements, the value of the R&D incentives it is entitled to. This difficulty has been highlighted by the complexities and timing of preparing the 2020 claim coupled with an Australian Tax Office (“ATO”) review of the 2019 claim which resulted in the repayment of approximately AUD\$400,000 due to the ATO. The Company has therefore made a voluntary change in accounting policy during the reporting period. Refundable tax incentives are now being accounted for on a cash basis because the Company believes that this to be a more appropriate time for the Company to determine with reasonable certainty the value of the incentive. The directors consider this policy to provide more relevant information to meet the economic decision-making needs of users and makes the financial statements more reliable. The effect of the restatement is as follows:

Schedule of Summary of Changes	Year Ended June 30, 2020	Effect of Restatement:	Year Ended June 30, 2020
	As Stated	Increase (Decrease)	Restated
Other Income	1,211,477	920,980	2,132,457
Net Loss	(10,011,248)	920,980	(9,090,267)
Foreign currency translation adjustment	(90,211)	37,584	(52,627)
Total comprehensive loss	(10,101,459)	958,565	(9,142,894)

Schedule of Summary of Changes	Year Ended June 30, 2020	Effect of Restatement:	Year Ended June 30, 2020
	As Stated	Increase (Decrease)	Restated
ASSETS			
Trade and Other Receivables	1,379,527	(773,456)	606,071
SHAREHOLDERS' DEFICIT			
Total Shareholders' Deficit	(9,763,592)	(773,456)	(10,537,048)

	Year Ended June 30, 2019	Effect:	Year Ended July 1, 2019
	As Stated	Increase (Decrease)	Restated
SHAREHOLDERS' DEFICIT			
Total Shareholders' Deficit	(1,448,566)	(1,732,019)	(3,180,585)

APPENDIX C INFORMATION CONCERNING EXRO

The following information concerning Exro should be read in conjunction with the documents incorporated by reference in the section entitled "*Information Contained in this Circular – Information Incorporated by Reference*" and the information concerning Exro appearing elsewhere in this Circular.

GENERAL

Corporate Overview

Exro's full corporate name is Exro Technologies Inc. Exro's head office is at 12–21 Highfield Circle S.E., Calgary, Alberta, T2G 5N6, and its registered and records office is at 1700 – 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

Exro was incorporated under the BCBCA on February 11, 2014 under the name "BioDE Ventures Ltd." ("**BioDE**") as a wholly-owned subsidiary of Carrus Capital Corporation ("**Carrus**"). The Corporation entered into an arrangement agreement with Carrus on February 12, 2014, pursuant to which, common shares of the Corporation were distributed to the shareholders of Carrus. Following completion of the arrangement, the Corporation became a reporting company in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Quebec.

On July 26, 2017, BioDE and its wholly owned subsidiary 10889001 BC Ltd. completed a transaction with Exro Technologies Inc. (a predecessor entity to the Corporation) whereby, pursuant to an amalgamation agreement, 10889001 BC Ltd. amalgamated with Exro Technologies Inc. and became the legal subsidiary of BioDE with holders of Exro Technologies Inc. holding approximately 86% of BioDE immediately after the amalgamation. The transaction was accounted for as an acquisition of BioDE by Exro. In completion of the transaction, the Corporation changed its name to Exro Technologies Inc.

The Exro's shares are listed on the TSX and trade under the symbol "EXRO", and the OTCQB under the symbol "EXROF".

The principal Subsidiaries of Exro, their jurisdictions of incorporation or formation, and the percentage of voting securities and restricted securities beneficially owned or controlled by Exro are set out under the section entitled "*Corporate Structure*" in the Exro AIF, which is incorporated by reference in this Circular, and further described in this Circular under "*Appendix D – Information Concerning the Combined Company*".

Description of the Business

Exro is a leading clean technology company that has developed next generation power control electronics, changing how the world optimizes energy by expanding the capabilities of electric motors and batteries. Exro's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less – minimum energy for maximum results.

Additional information regarding Exro's business, including its three-year history is included under the headings entitled "*General Development of the Business*" and "*The Business*" in the Exro AIF, which is incorporated by reference in this Circular.

Recent Developments

On April 6, 2023, Exro announced that Mark Godsy stepped down as Chairman of Exro effective March 31, 2023 and Rodney Copes was appointed as the Interim Chairman of Exro. On June 30, 2023, Rodney Copes was appointed as the Chairman of Exro.

On May 23, 2023, Exro announced that it had completed its previously announced bought deal financing, for a total of 15,525,000 Exro Common Shares sold at a price of \$2.25 per Exro Common Share for aggregate gross proceeds to the Corporation of \$34,931,250.

On June 30, 2023, Exro announced that Aleksandra Miziolek, Anita Ganti and Frank Simpkins were elected as new directors of the Corporation at its annual general meeting held on June 30, 2023.

On August 22, 2023, Exro announced that the Exro's Cell Driver had successfully completed certification of its battery module per UL 1973 requirements, a key milestone which confirms Exro's modules' quality, resilience, and ability to operate safely and effectively in a variety of conditions.

On September 6, 2023, Exro announced a major milestone with the start of production of its patented next-generation Coil Driver™ inverter technology for electric vehicles. This was backed by purchase orders from HB4 Group and Vicinity Motor Corp.

On December 31, 2023, Exro issued 679,544 Exro Common Shares at a deemed price of \$1.32 per Exro Common Shares to holders of the Corporation's 12% secured convertible debentures issued December 30, 2022 in satisfaction of accrued interest thereon, such interest being payable semi-annually in arrears.

On February 16, 2024, Exro announced it had completed the Financing, for a total of 31,600,000 Subscription Receipts sold at a price of \$0.95 per Subscription Receipt for aggregate gross proceeds to the Corporation of \$30,020,000.

DESCRIPTION OF SHARE CAPITAL

Exro's authorized share capital consists of an unlimited number of Exro Common Shares and unlimited number of Exro Preferred Shares, issuable in series. As of the Record Date, there are 170,121,819 Exro Common Shares issued and outstanding and no Exro Preferred Shares are issued and outstanding.

Common Shares

Each Exro Common Share entitles its holder to notice of and to one vote at all meetings of the Corporation's shareholders. Each Exro Common Share is also entitled to receive dividends if, as and when declared by the Exro Board. Exro Shareholders are entitled to participate in any distribution of the Corporation's net assets upon liquidation, dissolution or winding-up of the Corporation on an equal basis per Exro Common Share.

Preferred Shares

The directors of the Corporation by resolution or the shareholders of the Corporation by ordinary resolution may, if none of the Exro Preferred Shares of any particular series are issued, attach or alter special rights and restrictions to the shares of any of those series of Exro Preferred Shares. No special rights or restrictions attached to any series of Exro Preferred Shares shall confer upon the shares of such series a priority over the shares of any other series of Exro Preferred Shares in respect of dividends or a return of capital in the event of the dissolution of the Corporation or on the occurrence of any other event that entitles the shareholders holding the shares of all series of the Exro Preferred Shares to a return of capital.

Subject to the satisfaction or waiver of the closing conditions described under the section entitled "*The Merger Agreement – Conditions that Must be Satisfied or Waived for the Merger to Occur*", and filing of the Articles of Amendment, Exro will issue the Exro Convertible Preferred Shares. The Exro Convertible Preferred Shares are described in more detail in "*Appendix D – Information Concerning the Combined Company*" under the heading "*Description of the Securities of the Combined Company*".

DIVIDEND POLICY

Exro has not declared nor paid any dividends to date on the Exro Common Shares. Exro intends to retain its earnings, if any, to finance the growth and development of its business. Accordingly, management does not currently expect to pay any dividends on the Exro Common Shares in the near future.

TRADING PRICE AND VOLUME

The following tables set forth information relating to the monthly trading of the Exro Common Shares on the TSX for the 12-month period prior to the date of this Circular.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
	(\$)	(\$)	
March 2023	\$2.80	\$2.19	6,041,004
April 2023	\$2.91	\$2.41	4,004,900
May 2023	\$2.69	\$2.05	7,939,300
June 2023	\$2.28	\$1.99	4,029,500
July 2023	\$2.55	\$2.09	3,796,400
August 2023	\$2.28	\$1.91	3,354,600
September 2023	\$2.45	\$2.00	3,315,200
October 2023	\$2.25	\$1.50	4,006,700
November 2023	\$1.93	\$1.33	4,331,500
December 2023	\$1.51	\$1.16	3,901,700
January 2024	\$1.34	\$0.88	4,805,000
February 2024	\$0.96	\$0.76	3,891,500
March 2024*	\$0.86	\$0.80	572,700

*Covers the period from March 1, 2024 to March 5, 2024 inclusive

The closing price of the Exro Common Shares on the TSX on January 29, 2024, the last trading day prior to the announcement of Exro's intention to acquire SEA, was \$1.11.

PRIOR SALES

Other than as described below, during the 12 months preceding the date of this Circular, there were no issuances of Exro Common Shares:

Date Issued	No. of Securities Issued	Securities Issued	Transaction Type	Price (\$)
January 17, 2023	100,000	Common Shares	Warrant Exercise	1.36
January 18, 2023	3,300	Common Shares	Option Exercise	1.47
January 19, 2023	20,500	Common Shares	Warrant Exercise	1.36
January 20, 2023	10,000	Common Shares	Warrant Exercise	1.36
January 24, 2023	105,000	Common Shares	Warrant Exercise	1.36
January 26, 2023	90,000	Common Shares	Warrant Exercise	1.36
January 27, 2023	40,000	Common Shares	Warrant Exercise	1.36
January 30, 2023	235,000	Common Shares	Warrant Exercise	1.36

January 31, 2023	50,000	Common Shares	Warrant Exercise	1.36
February 2, 2023	135,000	Common Shares	Warrant Exercise	1.36
February 2, 2023	300,339	Common Shares	Warrant Exercise	1.60
February 3, 2023	200,000	Common Shares	Option Exercise	1.00
February 3, 2023	100,000	Common Shares	Warrant Exercise	1.36
February 3, 2023	75,000	Common Shares	Warrant Exercise	2.00
February 6, 2023	720,000	Common Shares	Warrant Exercise	1.36
February 6, 2023	5,000	Common Shares	Warrant Exercise	2.00
February 7, 2023	2,000,000	Common Shares	Warrant Exercise	1.36
February 8, 2023	70,000	Common Shares	Warrant Exercise	1.36
February 9, 2023	35,300	Common Shares	Warrant Exercise	1.36
February 9, 2023	100,000	Common Shares	Warrant Exercise	1.60
February 10, 2023	30,000	Common Shares	Warrant Exercise	1.36
February 13, 2023	20,000	Common Shares	Warrant Exercise	1.36
February 16, 2023	100,000	Common Shares	Warrant Exercise	1.60
March 6, 2023	50,000	Common Shares	Warrant Exercise	1.60
March 9, 2023	3,300	Common Shares	Option Exercise	1.47
March 9, 2023	50,000	Common Shares	Warrant Exercise	1.36
March 9, 2023	59,258	Common Shares	Warrant Exercise	1.60
March 23, 2023	15,000	Common Shares	Option Exercise	1.00
March 23, 2023	1,650	Common Shares	Option Exercise	1.05
March 30, 2023	50,000	Common Shares	Warrant Exercise	1.36
March 31, 2023	3,000	Common Shares	Warrant Exercise	1.36
April 4, 2023	10,000	Common Shares	Warrant Exercise	1.36
April 5, 2023	50,339	Common Shares	Warrant Exercise	1.60
April 10, 2023	5,000	Common Shares	Warrant Exercise	1.36
April 12, 2023	11,600	Common Shares	Option Exercise	1.47
April 13, 2023	40,000	Common Shares	Warrant Exercise	1.36
April 17, 2023	1,650	Common Shares	Option Exercise	1.05
April 18, 2023	19,800	Common Shares	Option Exercise	1.47
April 19, 2023	25,000	Common Shares	Warrant Exercise	1.36
April 20, 2023	660	Common Shares	Option Exercise	1.05
April 21, 2023	30,000	Common Shares	Warrant Exercise	1.36
April 28, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 1, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 5, 2023	20,000	Common Shares	Warrant Exercise	1.36
May 8, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 9, 2023	45,000	Common Shares	Warrant Exercise	1.36
May 11, 2023	20,000	Common Shares	Warrant Exercise	1.36
May 12, 2023	1,650	Common Shares	Option Exercise	1.47
May 12, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 12, 2023	90,000	Common Shares	Warrant Exercise	2.00
May 15, 2023	15,000	Common Shares	Warrant Exercise	1.36
May 16, 2023	27,000	Common Shares	Warrant Exercise	1.36
May 17, 2023	20,000	Common Shares	Warrant Exercise	1.36
May 23, 2023	15,525,000	Common Shares	Common Shares	2.25
June 8, 2023	75,000	Common Shares	Option Exercise	1.00
June 8, 2023	3,000	Common Shares	Warrant Exercise	1.36
June 12, 2023	3,300	Common Shares	Option Exercise	1.05
June 14, 2023	30,000	Common Shares	Warrant Exercise	1.36
June 14, 2023	25,000	Common Shares	Warrant Exercise	1.36
June 19, 2023	2,000	Common Shares	Warrant Exercise	1.36
June 22, 2023	25,000	Common Shares	Option Exercise	1.00
June 26, 2023	100,000	Common Shares	Option Exercise	0.41
June 28, 2023	100,000	Common Shares	Option Exercise	0.41
June 30, 2023	342,535	Common Shares	Interest Payment	2.13
June 30, 2023	14,084	Common Shares	Interest Payment	2.13
June 30, 2023	704	Common Shares	Interest Payment	2.13
June 30, 2023	22,957	Common Shares	Interest Payment	2.13

June 30, 2023	42,253	Common Shares	Shares for Debt	2.13
July 11, 2023	20,000	Common Shares	Warrant Exercise	1.36
July 14, 2023	6,600	Common Shares	Option Exercise	1.47
July 25, 2023	2,000	Common Shares	Warrant Exercise	1.36
August 3, 2023	10,000	Common Shares	Warrant Exercise	1.36
August 9, 2023	5,700	Common Shares	Warrant Exercise	1.36
August 14, 2023	660	Common Shares	Option Exercise	1.05
August 29, 2023	30,000	Common Shares	Warrant Exercise	1.36
August 30, 2023	50,000	Common Shares	Warrant Exercise	1.36
August 30, 2023	50,000	Common Shares	Warrant Exercise	1.36
September 8, 2023	50,000	Common Shares	Option Exercise	1.00
September 11, 2023	11,500	Common Shares	Option Exercise	1.00
September 12, 2023	1,700	Common Shares	Option Exercise	1.05
September 12, 2023	20,833	Common Shares	Convertible Debenture	2.40
September 15, 2023	33,500	Common Shares	Option Exercise	1.00
September 27, 2023	10,000	Common Shares	Option Exercise	0.38
September 28, 2023	8,600	Common Shares	Option Exercise	0.38
September 29, 2023	11,400	Common Shares	Option Exercise	0.38
October 3, 2023	3,300	Common Shares	Option Exercise	1.05
October 3, 2023	70,754	Common Shares	RSU Issuance	1.98
October 3, 2023	23,349	Common Shares	RSU Issuance	1.98
October 3, 2023	23,349	Common Shares	RSU Issuance	1.98
October 3, 2023	10,000	Common Shares	Option Exercise	0.38
October 4, 2023	15,400	Common Shares	Option Exercise	0.38
October 5, 2023	14,600	Common Shares	Option Exercise	0.38
October 6, 2023	10,000	Common Shares	Option Exercise	0.38
October 10, 2023	10,000	Common Shares	Option Exercise	0.38
October 10, 2023	1,320	Common Shares	Option Exercise	1.05
October 11, 2023	40,000	Common Shares	Option Exercise	0.38
October 11, 2023	20,000	Common Shares	Option Exercise	1.00
October 11, 2023	20,000	Common Shares	Option Exercise	0.38
October 11, 2023	50,000	Common Shares	Option Exercise	0.41
October 12, 2023	10,000	Common Shares	Option Exercise	0.38
October 13, 2023	10,000	Common Shares	Option Exercise	0.38
October 16, 2023	10,000	Common Shares	Option Exercise	0.38
October 18, 2023	10,000	Common Shares	Option Exercise	0.38
October 23, 2023	10,000	Common Shares	Option Exercise	0.38
October 24, 2023	10,000	Common Shares	Option Exercise	0.38
October 25, 2023	4,200	Common Shares	Option Exercise	0.38
October 26, 2023	5,800	Common Shares	Option Exercise	0.38
October 27, 2023	10,000	Common Shares	Option Exercise	0.38
December 31, 2023	60,908	Common Shares	Interest Payment	1.32
December 31, 2023	618,636	Common Shares	Interest Payment	1.32
February 9, 2024	100,000	Common Shares	Option Exercise	0.41

Other than as described below, during the 12 months preceding the date of this Circular, there were no issuances of securities that are convertible into Exro Common Shares:

Date Issued	Number of Securities	Type of Security	Exercise Price
March 10, 2023	399,500	Options	\$2.51
May 31, 2023	1,600,000	Options	\$2.12
May 31, 2023	754,375	Performance Share Units	N/A
May 31, 2023	212,262	Restricted Share Units	N/A
July 4, 2023	819,500	Options	\$2.15
October 17, 2023	150,000	Restricted Share Units	N/A
February 16, 2024	31,600,000	Subscription Receipts	N/A

CONSOLIDATED CAPITALIZATION

Except as disclosed below and elsewhere in this Circular, there have been no material changes in Exro's share and loan capital on a consolidated basis since the date of the Exro Interim Financial Statements.

The following table sets forth the consolidated capitalization of the Corporation as at September 30, 2023, and as at such date, on an adjusted basis, to give effect to the closing of the Financing and the completion of the Transaction (assuming the issuance of Exro Common Shares to holders of the Subscription Receipts, no payment of any Dividend Equivalent Payment. The following table should be read in conjunction with the Exro Interim Financial Statements and the Exro Interim MD&A, each of which is incorporated by reference in this Circular, and the Exro Pro Forma Financial Information:

Designation	Outstanding as at September 30, 2023	Outstanding as at September 30, 2023 after giving effect to the Financing and the completion of the Transaction ⁽²⁾
(Canadian dollars, except share amounts)		
Convertible Debentures	\$14,950,000 ⁽¹⁾	\$70,670,600 ⁽³⁾
Share capital:		
Common Shares	\$152,998,157 (168,950,202 Common Shares)	\$299,296,667 (354,379,436 Common Shares)
Preferred Shares	\$0 (0 Preferred Shares)	\$150,122,922 168,677,441 Preferred Shares)

Note:

- (1) Amount represents outstanding principal balance of convertible debentures as at September 30, 2023.
- (2) Based on the issuance of 31,600,000 Subscription Receipts pursuant to the Financing for net proceeds to Exro from the Financing of approximately \$27,759,519, after deducting the Underwriters' Fee of \$1,801,200 and estimated expenses of the Financing of \$ 459,281 and excluding any Earned Interest and the payment of any Dividend Equivalent Payment.
- (3) Amount represents expected principal outstanding balance of convertible debentures, assuming repayment of all outstanding Exro convertible debentures, subsequent to the Closing. The principal value of debt is US\$52 million, converted to Canadian dollars at an exchange rate of 1.3591 Canadian dollars to 1.00 US Dollar as at September 30, 2023.

EXECUTIVE COMPENSATION

For information with respect to Exro's compensation program, please see "*Schedule "A" - Form 51-102F6 Statement of Executive Compensation (for the year ended December 31, 2022)*" in the Exro May 2023 Circular.

For more information with respect to the termination and change of control benefits of Exro's executive employees, please see the heading entitled "*Termination and Change of Control Benefits*" in the Exro May 2023 Circular.

AUDIT COMMITTEE

Audit Committee

For information about Exro's Audit Committee, please see the heading entitled "*Audit Committee*" in the Exro AIF, which is incorporated by reference in this Circular.

CORPORATE GOVERNANCE

Directors and Executive Officers

Details about current members of the Exro Board and Exro's executive officers can be found under the heading "*Directors and Officers*" in the Exro AIF, which is incorporated by reference in this Circular.

Board Committees

Exro's current board committees include an audit committee, a compensation committee, and a governance and nominating committee. For information about Exro's audit committee, please see the heading entitled "*Audit Committee*" in the Exro AIF, which is incorporated by reference in this Circular. Copies of the current Exro committee charters are available on the Exro website at: <https://www.exro.com/investors/leadership-and-governance>.

MATERIAL CONTRACTS

The following is a list of each Material Contract of Exro, other than contracts entered into in the ordinary course of business, that were entered into by Exro since January 1, 2023 or prior to January 1, 2023 which are still in effect, the particulars of which are discussed below or elsewhere in this Circular.

- the Merger Agreement;
- the Underwriting Agreement;
- the Subscription Receipt Agreement; and
- the Restructuring Agreement.

The Merger Agreement

The Merger Agreement is summarized in the section entitled "*The Merger Agreement*" in this Circular, and the full text of the Merger Agreement is available on Exro's profile on www.sedarplus.com.

The Underwriting Agreement

Pursuant to the terms of the Underwriting Agreement, Exro issued and sold 31,600,000 Subscription Receipts to the Underwriters on an underwritten bought deal private placement basis, at the purchase price of \$0.95 per Subscription Receipt for aggregate gross proceeds of C\$30,020,000.

The Underwriting Agreement is further discussed in this Circular in the section entitled "*The Financing*".

The Subscription Receipt Agreement

Pursuant to the terms of the Subscription Receipt Agreement, the net proceeds from the Financing will be held in escrow, to be released on closing of the Transaction, and are intended to be used by Exro to support the business plan of the Combined Company, including, but not limited to, production, capital expenditures, working capital requirements, and normal course corporate and operating needs.

For more information on the Subscription Receipts and the Financing, see the section entitled "*The Financing*" of this Circular.

The Restructuring Agreement

In connection with the Merger Agreement, Exro entered into the Restructuring Agreement pursuant to which SEA restructured certain of its existing outstanding debt with the Lenders.

The Restructuring Agreement is summarized in the section entitled "*The Transaction – Debt Restructuring of SEA*" in this Circular.

RISK FACTORS

An investment in Exro Common Shares and the completion of the Transaction are subject to certain risks. In addition to considering the other information contained in this Circular, including the risk factors described under the heading "*Risk Factors*", readers should consider carefully the risk factors described in the Exro AIF, as well as the Exro MD&A, each of which is incorporated by reference in this Circular.

LEGAL PROCEEDINGS AND REGULATORY ACTION

Except as publicly disclosed or discussed in the documents incorporated by reference in this Circular, Exro is not party to any material legal proceeding since the beginning of the most recently completed financial year, nor has it been subject to any penalties or sanctions imposed by a court relating to provincial or territorial securities legislation within the three years immediately preceding the date hereof.

ADDITIONAL INFORMATION

Information has been incorporated by reference in this Circular from documents filed with the Canadian Securities Regulators in each of the provinces of Canada, other than Quebec, as further described under the heading "*Information Contained in this Circular – Information Incorporated by Reference*". Copies of the documents incorporated by reference herein may be obtained on request without charge from the Corporate Secretary of Exro at 12 – 21 Highfield Circle SE, Calgary, AB T2G 5N6, Telephone: (587) 619-1517, and are also available electronically under Exro's profile on SEDAR+ at www.sedarplus.com or on Exro's website at <https://www.exro.com/investors>. Exro's filings through SEDAR+ are not incorporated by reference in this Circular except as specifically set out herein.

**APPENDIX D
INFORMATION CONCERNING THE COMBINED COMPANY**

The following is a summary of the Combined Company and its business and operations, which should be read together with the detailed information and financial data and statements contained elsewhere in this Circular. This section only includes information respecting the Combined Company after Closing that is materially different from information provided elsewhere in this Circular. The information contained in this Appendix D, unless otherwise indicated, is given as of the date of this Circular. See the disclosures in "Appendix B – Information Concerning SEA" and "Appendix C – Information Concerning Exro" to this Circular for additional information regarding the SEA and Exro, respectively.

All capitalized terms used in this Appendix D and not defined herein have the meaning ascribed to such terms in the "Glossary of Terms" or elsewhere in this Circular. The following section of this Circular contains forward-looking information. Readers are cautioned that actual results may vary. See "Information Contained in this Circular – Cautionary Statement Regarding Forward-Looking Statements".

CORPORATE STRUCTURE

Name, Address and Incorporation

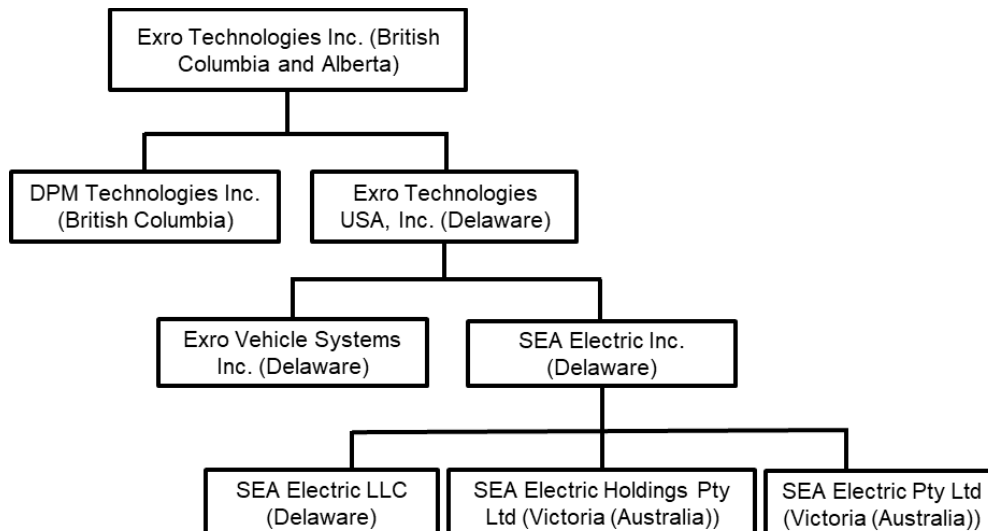
Upon Closing, the Combined Company will continue to be "Exro Technologies Inc.", a company existing under the BCBCA. On Closing, Exro will acquire all the issued and outstanding shares of the Surviving Corporation and each of the Surviving Corporation and the Surviving Corporation's current Subsidiaries will become Subsidiaries of Exro.

The Combined Company will continue to have its head office at 12 – 21 Highfield Circle S.E. Calgary, Alberta T2G 5N6 and registered and records office at 1700 – 666 Burrard Street, Vancouver, BC V6C 2X8.

Intercorporate Relationships

Prior to Closing, Exro had four wholly owned Subsidiaries: DMP Technologies Inc., a British Columbia corporation ("**DPM**"), Exro Technologies USA, Inc., a Delaware corporation ("**Exro USA**"), Exro Vehicle Systems Inc., a Delaware corporation ("**Exro VS**"), and Merger Sub.

The Combined Company will continue to hold a 100% direct or indirect interest in each of DPM, Exro USA and Exro VS, as well as a 100% indirect interest in the Surviving Corporation and the Surviving Corporation's Subsidiaries. The following chart sets forth the relationship between the Combined Company and its material direct and indirect subsidiaries following Closing.



DESCRIPTION OF THE BUSINESS OF THE COMBINED COMPANY

The Combined Company will continue to carry out its business in the development of next generation power control electronics technologies, as well as the business of SEA acquired pursuant to the Transaction.

For more information about the businesses of the Combined Company and the Surviving Corporation, respectively, see "*Appendix C – Information Concerning Exro*", and "*Appendix B – Information Concerning SEA*".

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Selected Pro Forma Financial Information

The Pro Forma Financial Information and accompanying notes are included in "*Appendix F – Unaudited Pro Forma Financial Information*" and summarized in the section of this Circular entitled "*Unaudited Pro Forma Consolidated Financial Information*".

DIVIDENDS

The payment of dividends on the Exro Common Shares following Closing will be at the discretion of the Combined Company Board. Exro has never declared nor paid any cash dividends on the Exro Common Shares and the Combined Company does not intend to pay any cash dividends on Closing.

DESCRIPTION OF SECURITIES OF THE COMBINED COMPANY

The authorized capital of the Combined Company will be the same as the currently authorized share capital of Exro. The Combined Company will be authorized to issue an unlimited number of Exro Common Shares and an unlimited number of Exro Preferred Shares, issuable in series.

Common Shares

For more information about the common shares of the Combined Company, please refer to the description of the Exro Common Shares in "*Appendix C – Information Concerning Exro*" under the heading "*Description of Share Capital*".

Following Closing, the Combined Company is expected to have 348,181,308 issued and outstanding Exro Common Shares.

Preferred Shares

For more information about the preferred shares of the Combined Company, please refer to the description of the Exro Preferred Shares in "*Appendix C – Information Concerning Exro*" under the heading "*Description of Share Capital*".

Assuming the closing conditions under the Merger Agreement are met and Exro files its Articles of Amendment providing for the issuance of the Exro Convertible Preferred Shares, the Combined Company is expected to have 160,596,348 issued and outstanding Exro Convertible Preferred Shares convertible into 160,596,348 Exro Common Shares.

Holders of the Exro Convertible Preferred Shares are not entitled to vote at meetings of the shareholders of the Combined Company except as required pursuant to applicable law or at a meeting of shareholders of the Combined Company called for the purpose of approving the liquidation or dissolution of the Combined Company. Upon the liquidation, dissolution or winding-up of the Combined Company, the holders of Exro Convertible Preferred Shares are entitled to participate *pari passu* with the holders of the Exro Common Shares. The holders of Exro Convertible Preferred Shares are also entitled to participate *pari passu* with the holders of Exro Common Shares in any dividends declared by the Combined Company Board from time to time. The Convertible Preferred Shares are economically equivalent to the Exro Common Shares in all respects.

Each Exro Convertible Preferred Shares is convertible, at the option of the holder thereof, into one Exro Common Share upon sending to the Combined Company's transfer agent (a) the certificate therefor, duly endorsed, or the equivalent in any non-certificated inventory system, and written notice of the election to convert such Exro Convertible Preferred Share, and (b) a declaration confirming that the underlying Exro Common Shares will be sold through the facilities of a stock exchange or alternative trading system, as applicable, in one or more transactions which are not pre-arranged with any non-arm's length acquiror.

Each Exro Convertible Preferred Share is also convertible into one Exro Common Share, subject to sending to the Combined Company's transfer agent the certificate therefor, duly endorsed, or the equivalent in any non-certificated inventory system, and written notice of the election to convert such Exro Convertible Preferred Share, in the event that a *bona fide* third party makes a formal take-over bid (as defined in National Instrument 62-104 – *Take-Over Bids and Issuers Bids*) for the Exro Common Shares in order to permit the holder to tender to the take-over bid.

In addition, each Exro Convertible Preferred Share shall be automatically converted, without any further action, into one Exro Common Share, and each Permitted Holder shall automatically be deemed to have exercised the right to convert such Exro Convertible Preferred Share into one Exro Common Share on the earliest to occur of: (a) the date that is five (5) years from the Closing Date; (b) the date that less than 20% of the originally issued Exro Convertible Preferred Shares remain outstanding; and (c) the date that a person other than a Permitted Holder acquires more than 50% of the issued and outstanding Exro Common Shares.

The terms attaching to the Exro Convertible Preferred Shares also include customary subdivision, consolidation and adjustment provisions.

Warrants

If the Transaction closes prior to June 30, 2024, the Combined Company will issue the Exro Replacement Warrants to replace the SEA Warrants. The Exro Replacement Warrants will entitle the holder thereof to acquire one Exro Common Share at an exercise price per Exro Common Share of \$0.81.

Additionally, and subject to the approval of the TSX, in lieu of exercising an Exro Replacement Warrant for cash, the holder thereof may Net Exercise, as further described in this Circular. See the section entitled "*The Financing – Debt Restructuring of SEA – Treatment of Warrants*".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Exro as at the date of this Circular before giving effect to the Transaction and of the Combined Company after giving effect to the Transaction.

Security	Authorized Amount	Amount Outstanding as of date of this Information Circular	Amount Outstanding after giving effect to the Transaction
Exro Common Shares	Unlimited	170,121,819	348,181,287
Exro Preferred Shares	Unlimited	0	160,596,348
Exro Options	n/a ⁽¹⁾	10,441,227	14,527,100
Exro RSUs	n/a ⁽¹⁾	244,810	15,702,553
Exro PSUs	n/a ⁽¹⁾	754,375	754,375
Exro Warrants	n/a	16,355,283	29,548,126
Convertible Debt ⁽²⁾	n/a	6,229,166	64,986,517

Notes:

- (1) Exro's long-term incentive plan provides that the Exro Board may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and consultants of the Corporation, Exro Options, Exro

RSUs, performance share units ("**Exro PSUs**") and director share units. The long-term incentive plan is a 10% rolling plan.

- (2) Exro Common Shares issuable upon conversion of the convertible debt.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and executive officers of Exro and SEA, as of the date of this Circular, or as noted below, following Closing, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of Exro.

DIRECTORS AND EXECUTIVE OFFICERS

Following Closing, it is anticipated that the Combined Company Board will initially consist of six (6) members, including Sue Ozdemir, Aleksandra Miziolek, Frank Simpkins and Rodney Copes (remaining as Chair) from the current Exro Board, and Tony Fairweather and John MacLeod from the current SEA Board. John Bell-Allen from the current SEA Board is contemplated to be an observer of the Combined Company Board.

The Combined Company's senior management is expected to consist of Sue Ozdemir as Chief Executive Officer, Tony Fairweather as Chief Product Officer, Darrell Bishop as Chief Financial Officer, and John Meekison as Chief Corporate Development Officer.

The table sets out the names of the anticipated directors of the Combined Company, anticipated senior officers and their positions with the Combined Company, each director's and senior officer's principal occupation, business or employment for the five preceding years and the number of Exro Common Shares of the Combined Company beneficially owned by each person, directly or indirectly, or over which each exercised control or direction upon Closing.

Name, Jurisdiction of Residence, and Present Office Held	Since	Number of Exro Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised	Number of Exro Preferred Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised	Principal Occupation During the Past Five Years
Sue Ozdemir Gilbert, Arizona, USA <i>Director, CEO</i>	September 9, 2019	49,237	Nil.	CEO of Exro; Former CEO of GE Industrial Motors, a Wolong company from 2018 to 2019.
Rodney Copes Sanibel, Florida, USA <i>Director (Chair; Independent)</i>	May 18, 2022	23,349	Nil.	Corporate Director; Executive Chair at Re:Car, LLC since 2022; Director of Volumetric Building Companies since 2021; Former COO of Rivian from 2020 to 2021; Former Division President at Royal Enfield North America from 2014 to 2019.

Name, Jurisdiction of Residence, and Present Office Held	Since	Number of Exro Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised	Number of Exro Preferred Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised	Principal Occupation During the Past Five Years
Tony Fairweather Miami Beach, Florida, USA <i>Director, Chief Product Officer</i>	Upon Closing	1,325,063	1,452,964	CEO and Director of SEA since 2012.
Aleksandra Miziolek Detroit, Michigan, USA <i>Director (Independent)</i>	June 30, 2023	Nil.	Nil.	Director of Solid Power Inc. since 2022; former Director of Tenneco from 2020 to 2022; Operator Advisor to Assembly Ventures since 2021; Advisor to OurOffice since 2021; Former SVP, Chief Transformation Officer and General Counsel of Cooper-Standard Holdings Inc. from 2014 to 2019.
Frank Simpkins Export, Pennsylvania, USA <i>Director (Independent)</i>	June 30, 2023	Nil.	Nil.	Director of Power Solutions International, Inc. since 2017; Advisory Board member of Anovion Technologies since 2022.
John MacLeod Santa Monica, CA (USA) <i>Director (Independent)</i>	Upon Closing	Nil.	Nil.	Director of SEA since 2022; CEO of Rivet360 since 2013; Director of Rivet360 since 2023.
Darrell Bishop Gilbert, Arizona, USA <i>Chief Financial Officer</i>	January 1, 2023 ⁽¹⁾	141,100	Nil.	Appointed Chief Investment Officer of Exro on January 1, 2023; Former President, Finance and Investor Relations of Exro as of February 17, 2021; Former Corporate Finance Principal at Peters & Co. Ltd. from 2021 to 2022; Managing Director of Investment Banking and Director at Haywood Securities Inc. from 2014 to 2021.

Name, Jurisdiction of Residence, and Present Office Held	Since	Number of Exro Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised	Number of Exro Preferred Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised	Principal Occupation During the Past Five Years
John Meekison Scottsdale, Arizona, USA <i>Chief Corporate Development Officer</i>	October 23, 2017 ⁽²⁾	319,318	Nil.	CFO of Exro; Director of Telo Genomics Corp. since 2020; Director of AgriFORCE Growing Systems Ltd. since 2019; Former CFO of ArcWest Exploration Inc. from 2012 to 2023;

Notes:

- (1) This date signifies the date that Mr. Bishop was appointed as Chief Investment Officer of Exro. Mr. Bishop's position as Chief Financial Officer will commence upon Closing.
- (2) This date signifies the date that Mr. Meekison was appointed as CFO of Exro. Mr. Meekison's position as Chief Corporate Development Officer will commence upon Closing.

Immediately following Closing, the directors and senior officers of the Combined Company are expected to beneficially own, directly or indirectly, or exercise control or direction over approximately (i) 1,858,067 Exro Common Shares or 0.53% of the issued and outstanding Exro Common Shares; (ii) 1,452,964 Exro Convertible Preferred Shares or 0.90% of the issued and outstanding Exro Convertible Preferred Shares; (iii) 22,000 Exro Warrants or 0.07% of the issued and outstanding Exro Warrants; (iv) 4,577,500 Exro Options or 31.51% of the issued and outstanding Exro Options; (v) 4,080,838 Exro RSUs or 25.99% of the issued and outstanding Exro RSUs; and (vi) 326,250 Exro PSUs or 31.51% of the issued and outstanding Exro PSUs.

The directors and officers of the Combined Company will hold office until the next annual meeting of the shareholders of the Combined Company or until their successor is duly appointed, unless their office is earlier vacated in accordance with the articles of the Combined Company or the BCBCA. Four (4) of the six (6) directors of the Combined Company are expected to be considered independent of the Combined Company.

Biographical Information Regarding the Directors and Officers

The following are brief profiles of the senior officers and directors of the Combined Company known as of the date of this Circular, including a description of such individual's principal occupation within the past five years.

Sue Ozdemir – Director, Chief Executive Officer

One of the world's proven leaders in the innovation and manufacturing of electric motors, Sue has nine years of accomplishments at General Electric, acting as CCO and the CEO of General Electric's Small Industrial Motors Division from 2011 to 2018, overseeing the division's North American and International markets – ultimately building the division into a 160 million enterprise. Sue also served as CEO of GE Industrial Motors, a Wolong company, from 2017 to 2019.

Rodney Copes – Director (Chair)

Rodney brings to Exro robust technical expertise and vast knowledge of the mobility industry. He currently serves as Executive Chairman at Re:Car, LLC., which is exploring an opportunity within the electric vehicle (EV) market, and is also a board member of Volumetric Building Companies, a modular construction company, since 2021. Previously, he spent 19 years at Harley-Davidson, from 1993 to 2012,

in several commercial and operations executive positions (including: Senior V-P Global Sales and Customer Service, Senior V-P, International Sales, Marketing, and Business Development, V-P Asia Pacific, V-P Continuous Improvement, V-P and Managing Director of Powertrain Operations and General Manager Tomahawk Operations), and from 2014 to 2019 he served as President of the Americas for Royal Enfield, an English motorcycle brand that was founded in 1901 and became an India-based company in 1970. Rodney has a proven track record for differentiating brand portfolios and commercializing mobility businesses in national and global markets. More recently, Rodney served as Chief Operating Officer for American electric vehicle automaker Rivian, from 2020 to 2021, growing the team from a few hundred to thousands of employees globally leading up to the company's listing on the Nasdaq. Rodney is a passionate entrepreneur and has a special interest in lending his well-informed industry acumen to new ventures and emerging start-ups. He is a graduate of the Massachusetts Institute of Technology with a Master's in Mechanical Engineering and an MBA.

Tony Fairweather – Director, Chief Product Officer

Tony has a career founded in transportation. Graduating with an honours degree in Mechanical Engineering, he commenced his corporate career in FMCG and then in Management Consulting, whilst completing his Master of Business (Entrepreneurship). Tony later joined TNT Express (now FedEx) during which time he completed an MBA (majoring in International Business).

Tony started his entrepreneurial career in 2007, importing commercial vehicle brands via exclusive distribution agreements in Australia. In 2012 he identified the rapidly evolving electric commercial vehicle industry) and commenced the development of a proprietary 100% electric SEA-Drive® power-system. At the same time SEA Electric was established.

Commercialisation occurred in 2017 and since that time, SEA Electric has deployed 100% electric delivery vehicles into 8 countries across 5 continents. More than 3 million miles of collective operation and the granting of the SEA-Drive® patent in 14 jurisdictions, has enabled SEA Electric to obtain lucrative OEM supply contracts with both Mack Trucks and Hino Trucks (Toyota), build a substantial global backlog and win numerous awards.

Aleksandra Miziolek – Director

Aleksandra concluded an approximately six-year tenure in 2019 with Cooper-Standard Holdings Inc. (NYSE: CPS), a leading global supplier of systems and components for the automotive industry, most recently serving as Chief Transformation Officer. In this role, Ms. Miziolek led crucial transformation initiatives aimed at increasing profitability and was actively involved in the development of the company's growth strategy for its nonautomotive material science business. She also served as Cooper-Standard Holdings' Senior Vice President, General Counsel, Secretary and Chief Compliance Officer beginning in 2014. Prior to joining Cooper-Standard Holdings, Ms. Miziolek spent 32 years with the law firm of Dykema Gossett, where she held several key leadership positions, such as Director of the Automotive Industry Group, and built a successful M&A and infrastructure practice spanning multiple industries. Since June 2023, Ms. Miziolek has served as a director of Exro. From March 2020 until November 2022, Ms. Miziolek served as a director and member of each of the compensation committee and nominating and governance committee of Tenneco Inc. (formerly NYSE: TEN), a Fortune 500 global industrial supplier for automotive original equipment manufacturers. She is also a NACD Board Leadership Fellow and serves as an Operator Advisor to Assembly Ventures, a global mobility and infrastructure venture fund, and Advisor to OurOffice, Inc., a DEI technology solutions provider. Ms. Miziolek holds a B.A in Political Science and Spanish and a J.D., each from Wayne State University.

Frank Simpkins – Director

Mr. Simpkins has over 25 years of executive management and financial experience. From June 2016 to December 2016, he served as Chief Financial Officer of Emerson Network Power, part of Emerson Electric Co. (NYSE: EMR). From 2006 to 2015, Mr. Simpkins served as Vice President and Chief Financial Officer of Kennametal Inc. (NYSE: KMT), a global leader in the design and manufacture of engineered components, advanced materials and cutting tools. Prior to that role, Mr. Simpkins held

various positions within Kennametal since 1995. Prior to Kennametal, he worked as a Manager for PricewaterhouseCoopers from 1986 to 1995.

Mr. Simpkins serves on the Board of Trustees at Seton Hill University, Greensburg and previously served on the Board of Trustees of Pennsylvania State University, New Kensington. On September 1, 2022, Mr. Simpkins joined the Advisory Board of Anovion, an advanced battery materials business in North America for synthetic graphite anode materials.

He holds a Bachelor of Science degree in Accounting from Pennsylvania State University. Mr. Simpkins qualifies as an "Audit Committee Financial Expert" under applicable SEC regulations and has substantial public-company reporting experience gained from his roles as Chief Financial Officer during his career.

John MacLeod – Director

John is a successful global executive with deep experience across technology, automotive, entertainment and retail sectors. Over his career as a senior executive, strategic advisor and board member, he has helped create value worth billions of dollars via organic growth, partnerships, acquisitions, and new ventures.

John is Executive Director of Rivet360, a company that he founded and served as CEO for 10 years until 2023. Rivet360 is a digital media and technology company that combines content, location technologies and artificial intelligence (AI). It produces award-winning podcasts and video content for brands and publishers and developed proprietary IP for delivering content to cars, mobile phones, and businesses.

Prior to Rivet360, John was Executive Vice President (C-Suite) at NAVTEQ, the global leader in GPS navigation data. He led global product, marketing, sales and strategy teams and championed its expansion into software, traffic, and China. Over an eleven-year period, he helped revolutionize how people traveled from point A to point B by delivering the world's best digital map and traffic data. He became a recognized leader in GPS location services and was integral to NAVTEQ's 600% revenue growth through organic sales, partnerships, and acquisitions. NAVTEQ went public on NYSE at \$2.1 billion value and sold to NOKIA for \$8.1 billion

Prior to NAVTEQ, John spent nearly 20 years working for The Walt Disney Company and Sony Corporation in senior finance and development roles to develop new global entertainment offerings, including theme parks, retail centers and hotels. Major projects include Disney's Epcot Center, Disneyland Paris and Sony Entertainment Centers in San Francisco, New York, Berlin and Tokyo.

John earned a Bachelor of Arts, with honours, from Harvard University, concentrating in Economics. He has an MBA from Stanford University. He has been awarded four patents addressing location technologies and content.

Darrell Bishop – Chief Financial Officer

Darrell has 18 years of diverse experience that began with technical roles prior to pivoting to a career in capital markets. As an investment banker, he has over a decade of experience helping to build companies and raise capital. He has been with Exro since 2022 as Chief Investment Officer. Previously, Darrell was a Corporate Finance Principal at Peters & Co. Ltd. (Calgary, AB) from 2021 to 2022, and before that a Managing Director of Investment Banking and Board Member at Haywood Securities Inc. (Calgary, AB) from 2014 to 2021. He is a graduate of Memorial University with a Bachelor of Mechanical Engineering and holds an MBA in Finance from the University of Calgary.

John Meekison – Chief Corporate Development Officer

With over 12 years of public and private experience, John is a career CFO having served in that role for Exro since 2016. As an investment banker, he has over 15 years' experience raising equity capital. John has also served as a director of Telo Genomics Corp. (TSXV: TELO) since 2020, and as a director of AgriFORCE Growing Systems Ltd. (NASDAQ: AGRI) since 2019. Previously, John was the Chief

Financial Officer of ArcWest Exploration Inc. (TSXV: AWX) from 2012 to 2023. John is a CPA, Certified Management Accountant, Certified Investment Manager, and Professional Logistician, and holds a Bachelor of Arts from University of British Columbia. Mr. Meekison also holds NACD.DC certification with the National Association of Corporate Directors.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as described below, no proposed director or executive officer of the Combined Company (or personal holding company) is, as at the date of this Circular, or was within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including Exro or SEA) that:

- (i) was the subject of a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation that was in effect for more than 30 consecutive days while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (ii) was subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation that was in effect for more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Combined Company (or personal holding company), or, to the knowledge of Exro or SEA's management, a potential shareholder of the Combined Company holding a sufficient number of Exro Common Shares to affect materially the control of the Combined Company:

- (i) is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a director or executive officer of any company (including Exro or SEA) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Combined Company (or personal holding company), or, to the knowledge of Exro or SEA's management, a potential shareholder of the Combined Company holding a sufficient number of Exro Common Shares to affect materially the control of Combined Company, has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

EXECUTIVE COMPENSATION

It is expected that the Combined Company will maintain the policies of Exro with respect to its officer and director compensation following Closing. For information with respect to Exro's compensation program,

please see "Schedule "A" - Form 51-102F6 Statement of Executive Compensation (for the year ended December 31, 2022)" in the Exro May 2023 Circular.

For more information with respect to the termination and change of control benefits of Exro's executive employees, please see the heading entitled "*Termination and Change of Control Benefits*" in the Exro May 2023 Circular.

AUDIT COMMITTEE

Audit Committee

Following Closing it is expected that the Combined Company will maintain the policies of Exro with respect to its audit committee. For information about Exro's audit committee, please see the heading entitled "*Audit Committee*" in the Exro AIF, which is incorporated by reference in this Circular.

CORPORATE GOVERNANCE

Corporate Governance

Combined Company Board

It is anticipated that the Combined Company Board will initially consist of six (6) members, including Sue Ozdemir, Aleksandra Miziolek, Frank Simpkins and Rodney Copes (remaining as Chair) from the current Exro Board, and Tony Fairweather and John MacLeod from the current SEA Board. John Bell-Allen from the current SEA Board is contemplated to be an observer of the Combined Company Board.

The Combined Company Board will be responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Combined Company Board consideration and approval will also be required for material contracts and business transactions, and all debt and equity financing transactions.

Board Committees

It is expected that the Combined Company will maintain the existing board committees of Exro, being an audit committee, a compensation committee, and a governance and nominating committee. The charters of the existing Exro committees are expected to remain the charters of the Combined Company committees. Committee positions will be determined by the Combined Company Board as needed and in accordance with applicable Laws and their respective charters. Copies of the current Exro committee charters are available on the Exro website at: <https://www.exro.com/investors/leadership-and-governance>.

RISK FACTORS

The business of the Combined Company will be subject to the risks currently affecting the business of both Exro and SEA. For a discussion of the business of Exro and SEA, together with the factors to consider in connection with those businesses, please see "*Appendix B – Information Concerning SEA – Risk Factors*", "*Appendix C – Information Concerning Exro – Risk Factors*" and "*Risk Factors*" in this Circular. For a discussion of risk factors associated with the Transaction, please see "*Risk Factors – Risk Factors Relating to the Transaction*". Ultimately, there are risks that could have a material adverse effect on, among other things, operating results, earnings, business and condition (financial or otherwise) of the Combined Company.

These risk factors, together with all other information included in or incorporated by reference in this Circular, should be carefully reviewed and considered before a decision concerning the Transaction is made.

AUDITORS, TRANSFER AGENTS AND REGISTRAR

Auditor

Following Closing, the Combined Company expects to propose that the auditor for the Combined Company will continue to be PricewaterhouseCoopers LLP at its office in 111 – 5th Avenue S.W., Calgary, Alberta T2P 5L3. PricewaterhouseCoopers LLP has confirmed that it is independent of the Combined Company within the meaning of the Rules of Professional Conduct with Guidance of the Chartered Professional Accountants of Alberta.

Transfer Agents, Registrars, Trustees or Other Agents

Following Closing, the transfer agent and registrar for the Combined Company will continue to be Odyssey Trust Company at its office in Calgary, Stock Exchange Tower, 1230 300 5 Avenue SW, Calgary, AB T2P 3C4.

**APPENDIX E
FAIRNESS OPINION**

See attached.

January 29, 2024

The Board of Directors of Exro Technologies Inc. (the “Board”) and the Special Committee of the Board (the “Special Committee”)

**Exro Technologies Inc.
12-21 Highfield Circle SE
Calgary, AB T2G 5N6**

To the members of the Board and Special Committee:

National Bank Financial Inc. (“NBF”, “we”, or “us”) understands that Exro Technologies Inc. (“Exro” or the “Company”), eTruck VCU Acquisition Inc., a wholly-owned subsidiary of the Company (the “Merger Sub”) and SEA Electric Inc. (“SEA”) have entered into an agreement and plan of merger dated as of January 29, 2024 (the “Merger Agreement”). Under the terms of the Merger Agreement, Merger Sub will merge with and into SEA in accordance with the General Corporation Law of the State of Delaware with SEA continuing as the surviving corporation and becoming a wholly owned subsidiary of the Company under the merger (the “Merger”). Pursuant to the Merger, each holder of outstanding shares of Common Stock and Preferred Stock of SEA (each a “SEA Share”, collectively the “SEA Shares” and the holders thereof, the “SEA Shareholders”), other than Exro, will receive 65.9629 shares of Exro (the “Transaction”) for each SEA Share held (the “Exchange Ratio”). These Exro shares will be comprised of a combination of Exro common shares (the “Exro Common Shares”) and Exro non-voting convertible preferred shares (the “Exro Convertible Shares” and collectively with the Exro Common Shares, the “Exro Shares”). Pursuant to the Merger Agreement, SEA Shareholders will receive approximately 153.8 million Exro Common Shares and 168.7 million Exro Convertible Shares, on a non-diluted basis and excluding existing SEA Shares held by Exro, resulting in total consideration of US\$248 million (the “Consideration”).

The Transaction contemplated by the Merger Agreement will require the approval of at least 50% of the votes cast by Exro shareholders (the “Exro Shareholders”), present in person or represented by proxy, at the special meeting of Exro Shareholders called to approve the issuance of the Exro Shares in connection with the Transaction (the “Special Meeting”). Requisite written consents to approve the Merger from SEA Shareholders of at least 75% of the total votes of all outstanding SEA Common Stock voting as one class and at least 50% of the total votes of all outstanding SEA Preferred Stock voting as one class have been received as of the date hereof. The terms and conditions of the Merger Agreement will be more fully described in an information circular (the “Circular”) to be prepared by Exro and mailed to Exro Shareholders in connection with the Special Meeting.

NBF understands that Exro has entered into support and voting agreements with all officers, directors, and certain other Exro Shareholders (collectively the “Exro Supporting Shareholders”) with respect to the Exro Shares beneficially owned, controlled or directed by the Exro Supporting Shareholders (the “Exro Support Agreements”), whereby the Exro Supporting Shareholders will commit to vote such securities in favour of the Transaction, subject to the terms and conditions of the Exro Support Agreements.

NBF also understands that SEA has entered into support and voting agreements with all SEA officers, directors, and SEA Shareholders (collectively the “SEA Supporting Shareholders”) with respect to the SEA Shares beneficially owned, controlled or directed by the SEA Supporting Shareholders (the “SEA Support Agreements” and together with the Exro Support Agreements, the “Support Agreements”), whereby the

SEA Supporting Shareholders will commit to vote such securities in favour of the Transaction, subject to the terms and conditions of the SEA Support Agreements.

NBF also understands that the Special Committee has been constituted to consider the Transaction and make recommendations with respect thereto to the Board.

Concurrent with the Transaction, Exro will be raising an aggregate amount of approximately US\$22 million in equity capital through the issuance of subscription receipts of Exro (the "Subscription Receipts"), prior to any exercise of the Underwriters' Option. In respect of the Subscription Receipts, Exro has entered into an agreement with Canaccord Genuity Corp. and Eight Capital (collectively, the "Co-Lead Underwriters"), for and on behalf of a syndicate of underwriters (collectively, with the Co-Lead Underwriters, the "Underwriters"), for the issuance, on a bought deal basis of 31,600,000 Subscription Receipts at a price of US\$0.708 (C\$0.95) per Subscription Receipt for aggregate gross proceeds to the Company of approximately US\$22 million, prior to any exercise of the Underwriters' Option.

The Offering is expected to close on February 15, 2024 (the "Closing Date"), and is subject to certain conditions including, but not limited to, the receipt of all necessary corporate and regulatory approvals, including the approval of the Toronto Stock Exchange (*as at the date of this circular, the Offering has been closed*). The Underwriters have been granted an option on the offering (the "Underwriters' Option"), exercisable in whole or in part on the same terms as the Offering, no later than two business days before the Closing Date, to issue up to an additional 21,100,000 Subscription Receipts for additional gross proceeds of up to approximately US\$15 million. Upon closing of the Transaction, each Subscription Receipt will be convertible into one Exro Common Share in accordance with the terms thereof plus holders thereof will be entitled to receive any cash dividends declared by the board of directors of the Company on the Exro Common Shares to holders of record on a date during the period up to but not including the closing date of the Transaction.

In connection with the Transaction and contemporaneous with the issuance of Subscription Receipts, SEA has also entered into arrangements to receive an aggregate of US\$9 million of debt financing from a Canadian pension fund manager.

Engagement of National Bank Financial

NBF has been retained by the Company pursuant to an engagement agreement dated November 7, 2023 (the "Engagement Agreement"). The Company retained the services of NBF as exclusive financial advisor which services include providing advice and assistance to the Board and the Special Committee with respect to the Transaction, including the preparation and delivery of an opinion (the "Fairness Opinion") that the Consideration to be provided by Exro to the SEA Shareholders pursuant to the Transaction is fair, from a financial point of view, to the Exro Shareholders other than Vestcor Inc. ("Vestcor").

NBF understands that the Fairness Opinion and a summary thereof will be included in the Circular and, subject to the terms of the Engagement Agreement, NBF consents to such disclosure. NBF has not been asked to prepare and has not prepared a formal valuation under MI 61-101 (as defined herein) of SEA or Exro, or a valuation of any of the securities or assets of SEA or Exro and this Fairness Opinion should not be construed as such.

NBF will be paid fees for its services as exclusive financial advisor to the Company, including for the delivery of the Fairness Opinion. A portion of the fees payable to NBF are contingent on completion of

the Transaction. In addition, NBF is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by Exro in certain circumstances.

This Fairness Opinion has been prepared in accordance with the *Disclosure Standards for Formal Valuations and Fairness Opinions* of the Canadian Investment Regulatory Organization (“CIRO”) but CIRO has not been involved in the preparation or review of the Fairness Opinion.

Relationship with Interested Parties

NBF is not an “associated entity” or “affiliated” entity” or an “issuer insider” (as such terms are used in Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”)) of Exro or any of their respective associates or affiliates, nor is it a financial advisor to SEA in connection with the Transaction (collectively the “Interested Parties”).

NBF has a longstanding relationship with Exro as financial advisor and has engaged with Exro on several past transactions as it relates to strategic and financial advisory, financings, and other services.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Interested Parties and, from time to time, may have executed or may execute transactions for such companies and clients from whom it received or may receive compensation. NBF, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties.

Credentials of NBF

NBF is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Fairness Opinion is the opinion of NBF, and the form and content herein has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Scope of Review

In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out (as the case may be), among other things, the following:

Scope of Review of Exro

- a) Publicly available information pertaining to Exro, including:
 - i. Financial statements, annual information forms, Management Discussion and Analysis (MD&A), press releases, corporate presentations, equity research reports, public material contracts and agreements, and other regulatory filings
 - ii. Audited annual financial statements, annual information forms, and MD&As of the Company for the fiscal years ended December 31, 2019, 2020, 2021, and 2022
 - iii. Quarterly financial statements and MD&As of the Company for the three-, six-, and nine-month periods ended March 31, 2023, June 30, 2023, and September 30, 2023
 - iv. Review of third-party electric vehicle reports and publications and brokerage research reports
 - v. Trading statistics and selected financial information of Exro and other selected public companies
 - vi. Comparable acquisition transactions considered by NBF to be relevant
- b) Non-public information provided by Exro, including:
 - i. Minutes of the meetings of the Board of Directors held for the fiscal years ended December 31, 2022, and 2023

- ii. Financial models prepared by Exro management including detailed historical financials, internal corporate budget for 2024, and long-range forecast for the fiscal years ending December 31, 2025, 2026, 2027, and 2028
- iii. Certain other non-public information prepared and provided to NBF by Exro, primarily financial in nature, concerning the business, assets, liabilities, and prospects
- c) Non-public documentation pertaining to the Transaction, including:
 - i. The draft Merger Agreement dated January 29, 2024, and the draft Voting and Support Agreement dated January 29, 2024
- d) Other sources of information, including:
 - i. Discussions with Exro's senior management with regards to, among other things, the Transaction as well as Exro's business, operations, financial position, budget, liquidity requirements, and prospects
 - ii. Consultation with independent legal advisors and financial, tax and accounting advisors to Exro
- e) Such other corporate, industry and financial market information, analysis and discussions (including discussions with third parties) as NBF considered necessary or appropriate in the circumstances
- f) Certificate, addressed to NBF, dated January 26, 2024, from the CEO and CIO of the Company, regarding the completeness and reasonableness of the information upon which this Opinion is based

NBF has not, to the best of its knowledge, been denied access by Exro to any information under the control of Exro that has been requested by NBF.

Scope of Review of SEA

- a) Publicly available information pertaining to SEA, including:
 - i. Press releases and corporate presentations
 - ii. Review of third-party electric vehicle reports and publications
 - iii. Trading statistics for selected comparable public companies
 - iv. Comparable acquisition transactions considered by NBF to be relevant
- b) Non-public information provided by SEA, including:
 - i. Audited annual financial statements of SEA for the fiscal years ended June 30, 2021, and 2022
 - ii. Unaudited annual financial statements of SEA for the fiscal year ended June 30, 2023
 - iii. Tax filings of SEA for the fiscal years ended June 30, 2019, 2020, 2021, and 2023
 - iv. Financial models prepared by SEA management including detailed historical financials, internal corporate budget for 2024, and long-range forecast for the calendar years ending December 31, 2025, 2026, and 2027
 - v. Certain other non-public information prepared and provided to NBF by SEA, including but not limited to the following: constating documents and organizational overview, detailed financial records, material financing agreements, material supplier and customer contracts, employee data, intellectual property, property details, and employee details
 - vi. Both financial and non-financial in nature, concerning the business, assets, liabilities, prospects, material contracts
- c) Non-public documentation pertaining to the Transaction, including:
 - i. The draft Merger Agreement dated January 29, 2024, the draft Voting and Support Agreement dated January 29, 2024, and the draft First Amendment to the Shareholders Agreement dated January 23, 2024
- d) Other sources of information, including:
 - i. Discussions with SEA's senior management with regards to, among other things, the Transaction as well as SEA's business, operations, financial position, budget, liquidity requirements, and prospects
 - ii. Consultation with independent legal advisors and financial, tax and accounting advisors to SEA
- e) Such other corporate, industry and financial market information, analysis and discussions (including discussions with third parties) as NBF considered necessary or appropriate in the circumstances
- f) Certificate, addressed to NBF, dated January 25, 2024, from the CEO and CFO of SEA, regarding the completeness and reasonableness of the information upon which this Opinion is based

NBF has not, to the best of its knowledge, been denied access by SEA to any information under the control of SEA that has been requested by NBF. We have been advised by legal counsel to Exro that the Transaction is not subject to MI 61-101.

Assumptions and Limitations

NBF has relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, or provided to us by Exro, its subsidiaries or their respective directors, officers, associates, affiliates, consultants, advisors and representatives, including, without limitation, in meetings and discussions referred to above under “Scope of Review” (collectively, the “Information”). We have assumed that the Information did not omit to state any material fact or any fact necessary to be stated to make the Information not misleading. Our Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of the Information. We have not been requested to nor, subject to the exercise of professional judgment, have we attempted to verify independently the completeness, accuracy or fair presentation of the Information.

Senior officers of Exro have represented to NBF in a certificate dated January 26, 2024, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of Exro or in writing by Exro or any of its subsidiaries, associates or affiliates or their respective representatives, was, at the date the Information was provided to NBF, and is at the date hereof complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Exro, its subsidiaries or the Transaction and did not and does not omit to state a material fact in respect of Exro, its subsidiaries or the Transaction necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any such statement was made; and that (ii) since the dates on which the Information was provided to NBF, except as disclosed to NBF, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Exro or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion.

With respect to any forecasts, projections, estimates and/or budgets provided by Exro or, in the case of the SEA forecast, reviewed by Exro and used in its analyses, NBF notes that projecting future results of any company is inherently subject to uncertainty. NBF has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared or reviewed using the assumptions identified therein and that such assumptions in the opinion of Exro, are (or were at the time) reasonable in the circumstances. NBF expresses no view as to the reasonableness of such forecasts, projections, estimates and/or budgets.

To supplement, senior officers of SEA have represented to NBF in a certificate dated January 25, 2024, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of SEA or in writing by SEA or any of its subsidiaries, associates or affiliates or their respective representatives, was, at the date the Information was provided to NBF, and is at the date hereof complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of SEA, its subsidiaries or the Transaction and did not and does not omit to state a material fact in respect of SEA, its subsidiaries or the Transaction necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any such statement was made; and that (ii) since the dates on which the Information was provided to NBF, except as disclosed to NBF, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of SEA or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion.

NBF has assumed that, in all respects material to its analysis, the Merger Agreement executed by the parties will be in substantially the form and substance of the draft provided to us, the representations and warranties of the parties to the Merger Agreement contained therein are complete, true and correct in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Merger Agreement, and all conditions to the obligations of such parties as specified in the Merger Agreement will be satisfied or waived. NBF has also assumed that all material approvals and consents required in connection with the consummation of the Transaction will be obtained and, that in connection with any necessary approvals and consents, no limitations, restrictions or conditions will be imposed that would have an adverse effect on Exro or SEA.

We have also assumed that the Support Agreements will be entered into by the Exro Supporting Shareholders and the SEA Supporting Shareholders, that all of the representations and warranties to be contained in the Support Agreements will be true, complete and correct as of the date hereof and that the Exro Supporting Shareholders and the SEA Supporting Shareholders will vote all of their Exro Shares and SEA Shares, respectively, in favour of the Transaction.

This Fairness Opinion does not address the relative merits of the Transaction as compared to other business strategies or transactions that might be available with respect to Exro or Exro's underlying business decision to effect the Transaction or any other term or aspect of the Transaction or the Merger Agreement or any other agreement entered into or amended in connection with the Transaction.

NBF expresses no opinion with respect to the future trading prices of the securities of Exro.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Transaction and have relied upon, without independent verification, the assessment by Exro and SEA and their legal and tax advisors with respect to such matters.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Exro and SEA as they are reflected in the Information and as they were represented to us in our discussions with the management and directors of Exro and SEA. In our analyses and in connection with the preparation of our Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, market and economic conditions, available liquidity and ability to raise capital, and other matters, many of which are beyond the control of NBF and any party involved in the Transaction. This Fairness Opinion is provided to the Board and the Special Committee for their respective use only and may not be relied upon by any other person. NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of NBF after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, NBF reserves the right to change, modify or withdraw the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily capable of being partially analyzed or summarized. NBF believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Fairness Opinion. The Fairness Opinion should be read in its entirety.

This Fairness Opinion is addressed to and is for the sole use and benefit of the Board and the Special Committee and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of NBF, other than in the Circular in its entirety and a summary thereof (in a form acceptable to us). This Fairness Opinion is not to be construed or used as a recommendation to any holder of Exro Shares to vote in favour or against the Transaction.

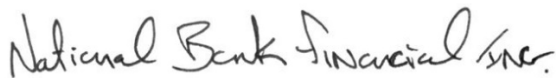
Approach to Fairness

In considering the fairness of the Consideration payable pursuant to the Transaction, from a financial point of view, to the Exro Shareholders other than Vestcor: a) NBF principally considered and relied upon the following approaches with regards to the Exro Common Shares: (i) a comparison of recent market trading and analyst prices of the Exro Common Shares to the Exro 10-day VWAP and spot trading price as of January 26, 2024, (ii) a comparison of the selected financial multiples of selected comparable companies whose securities are publicly traded to the Exro 10-day VWAP and spot trading price as of January 26, 2024, (iii) a comparison of the results of a discounted cash flow analysis of the Company to the Exro equity value implied by the 10-day VWAP and spot trading price as of January 26, 2024, and (iv) other analysis that was considered appropriate; and b) NBF principally considered and relied upon the following approaches with regards to SEA: (i) a comparison of the financial multiples implied by the Consideration to selected financial multiples of selected comparable companies whose securities are publicly traded, (ii) a comparison of the financial multiples implied by the Consideration to selected financial multiples of selected comparable companies whose securities are publicly traded plus a control premium, (iii) a comparison of the financial multiples implied by the Consideration to selected financial multiples, to the extent publicly available, of selected precedent transactions, (iv) a comparison of the Consideration to the results of a discounted cash flow analysis of the Company, and (v) other analysis that was considered appropriate.

Conclusion

Based upon and subject to the foregoing, and such other matters as we considered relevant, it is our opinion, as of the date hereof, that the Consideration to be provided by Exro to the SEA Shareholders pursuant to the Transaction is fair, from a financial point of view, to the Exro Shareholders other than Vestcor.

Yours very truly,

A handwritten signature in cursive script that reads "National Bank Financial Inc." The signature is written in dark ink and is positioned above the printed name of the company.

NATIONAL BANK FINANCIAL INC.

APPENDIX F
UNAUDITED PRO FORMA FINANCIAL INFORMATION

See attached.

Unaudited Pro Forma Condensed Combined Consolidated Financial Information

The accompanying unaudited pro forma condensed combined consolidated financial information give effect to the proposed transaction between Exro Technologies Inc. (the “Company” or “Exro”), eTruck VCU Acquisition Inc., an indirect subsidiary of the Company, and SEA Electric Inc. (“SEA”), under the acquisition method of accounting. On January 30, 2024, Exro and eTruck VCU Acquisition Inc. entered into an Agreement and Plan of Merger (the “Merger Agreement”) with SEA to acquire 100% of the outstanding shares of SEA, a company incorporated under the laws of Delaware, valued at approximately US\$300 million. Exro will issue, based on the Company’s weighted average common share price over the last 10 trading days prior to the Merger Agreement of \$1.03 per share (US\$0.7680 per share), a combination of common shares (the “Exro Common Shares”) and non-voting convertible preferred shares (the “Exro Convertible Shares”), subject to customary closing adjustments as described in Merger Agreement. Completion of the merger remains subject to the satisfaction of certain conditions, including, but not limited to, obtaining shareholder approval and obtaining required regulatory approvals.

The unaudited pro forma condensed combined consolidated balance sheet gives effect to the merger, SEA debt restructuring, and the related financings as if such had closed on September 30, 2023. The unaudited pro forma condensed consolidated statements of net loss for the nine months ended September 30, 2023, and for the year ended December 31, 2022, give effect to the merger, SEA debt restructuring, and related financings as if such had closed on January 1, 2022.

SEA has a fiscal year end of June 30, which differs from the Company’s fiscal year end of December 31. Accordingly, for the purposes of the unaudited pro forma condensed combined consolidated statement of net loss for the nine months ended September 30, 2023, the historical SEA amounts are computed from SEA’s historical audited statement of comprehensive income for the year ended June 30, 2023, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022, and to include amounts from the historical unaudited statement of comprehensive income for the three months ended September 30, 2023. For the purposes of the unaudited pro forma condensed consolidated statement of net loss for the year ended December 31, 2022, the historical SEA amounts are computed from SEA’s historical audited statement of comprehensive income for the year ended June 30, 2022, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2021, and to include amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022.

The unaudited pro forma condensed combined consolidated financial information has been derived from, and should be read in conjunction with; (i) the unaudited condensed consolidated interim financial statements of Exro as at and for the three and nine months ended September 30, 2023, (ii) the audited consolidated financial statements of Exro as at and for the years ended December 31, 2022 and December 31, 2021, (iii) the unaudited condensed consolidated interim financial statements of SEA as at and for the three months ended September 30, 2023, and (iv) the audited financial statements as at and for the years ended June 30, 2023 and June 30, 2022.

The unaudited pro forma condensed combined consolidated financial information are presented for informational purposes only and is not necessarily indicative of the financial position and results of operations that would have been achieved had the merger and related transactions occurred on the dates indicated. The unaudited pro forma condensed combined consolidated financial information includes pro forma adjustments for which there are firm commitments and the complete financial effects are objectively determinable, as well as adjustments to conform SEA’s financial information to Exro’s accounting policies. The pro forma adjustments are based on available information and certain assumptions that the Company believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma condensed combined consolidated financial information. The unaudited pro forma condensed combined consolidated statements of net loss include adjustments that are expected to have a continuing impact on the condensed combined consolidated results but excludes adjustments arising from non-recurring events of the merger, that are not expected to continue in future periods. The unaudited pro forma condensed combined consolidated balance sheet includes adjustments that are directly attributable to the merger and factually supportable, regardless of whether they have a continuing effect or are non-recurring. The unaudited pro forma condensed combined consolidated financial information does not give effect to potential cost savings, operational synergies, and revenue enhancements, if any, that may result from the merger or the costs to achieve these costs savings, operating synergies, and revenue enhancements.

The unaudited pro forma information presented, including allocation of purchase price, is based on preliminary estimates of fair values of assets acquired and liabilities assumed, available information and assumptions that management of Exro believes are reasonable under the circumstances and may be revised as additional information becomes available. The actual adjustments to the consolidated financial statements of the Company upon the closing of the merger will depend on a number of factors, including additional information available and the net assets of SEA on the closing date of the merger. Therefore, the actual adjustments will differ from the pro forma adjustments and the differences may be material. For example, the final purchase price allocation is

dependent on, among other things, the finalization of asset and liability valuations. Any final adjustment may change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed combined consolidated financial information, including a change to goodwill.

Exro Technologies Inc.
Pro Forma Condensed Combined Consolidated Statement of Financial Position
As at September 30, 2023
(Expressed in Canadian dollars – Unaudited)

	Historical		Pro forma Adjustments	Notes	Pro forma Consolidated
	Exro	SEA (Note 3)			
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	19,700,822	2,482,280	27,850,000 (7,330,000) (14,950,000)	4(e) 4(g) 4(k)	27,753,102
Accounts receivable	563,837	4,107,627			4,671,464
Prepaid expense	3,486,763	1,358,868			4,845,631
Inventory	4,977,139	23,007,042			27,984,181
	28,728,561	30,955,817	5,570,000		65,254,378
Investments	10,818,473	—	(4,501,036) (6,317,437)	4(d) 4(d)	—
Property, plant and equipment	29,950,292	4,019,514			33,969,806
Intangible assets	—	—	122,977,425	4(b)	122,977,425
Goodwill	—	—	229,150,278	4(b)	229,150,278
Derivative asset	3,110,810	—	(3,110,810)	4(k)	—
TOTAL ASSETS	72,608,136	34,975,331	343,768,420		451,351,887
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	4,701,075	23,189,357			27,890,432
Lease liability - current portion	1,119,308	331,585			1,450,893
Convertible notes	—	26,229,665	(26,229,665)	4(c)(i)	—
Contract liabilities	—	2,263,901			2,263,901
Warrant liability	—	—	7,425,069	4(c)(ii)	7,425,069
Senior convertible promissory notes	—	—	63,262,100	4(c)(ii)	63,262,100
	5,820,383	52,014,508	44,457,504		102,292,395
Long-term debt	50,000	145,004			195,004
Lease liability - long-term portion	6,006,328	2,528,143			8,534,471
Convertible debentures	11,929,998	—	(11,929,998)	4(k)	—
Promissory notes/SBA Loan	—	42,810,075	(42,810,075)	4(c)(i)	—
Warranty provision	—	1,225,423			1,225,423
Deferred tax liability	—	—	29,514,582	4(b)	29,514,582
TOTAL LIABILITIES	23,806,709	98,723,153	19,232,013		141,761,875
SHAREHOLDERS' EQUITY					
Share capital	152,998,157	80,804,007	(80,804,007) 27,850,000 118,448,510	4(f) 4(e) 4(a)	299,296,667
Preferred convertible shares	—	—	129,881,630	4(a)	129,881,630
Contributed surplus	28,154,277	18,000,930	(18,000,930) 2,570,293	4(f) 4(a)	30,724,570
Equity component of convertible debentures	991,295	—	(991,295)	4(k)	—
Deficit	(132,695,216)	(159,125,757)	159,125,757 (4,501,036) (7,330,000) (5,139,517)	4(f) 4(d) 4(g) 4(k)	(149,665,769)
Accumulated other comprehensive loss	(647,086)	(3,427,002)	3,427,002	4(f)	(647,086)
TOTAL SHAREHOLDERS' EQUITY	48,801,427	(63,747,822)	324,536,407		309,590,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	72,608,136	34,975,331	343,768,420		451,351,887

See accompanying notes to the unaudited pro forma condensed combined consolidated financial information

Exro Technologies Inc.
Pro Forma Condensed Combined Consolidated Statement of Net Loss
For the nine months ended September 30, 2023
(Expressed in Canadian dollars, except per share amounts – Unaudited)

	Historical		Pro forma Adjustments	Notes	Pro forma Consolidated
	Exro	SEA (Note 3)			
Revenue	4,800,730	12,003,243			16,803,973
Cost of sales	2,508,252	13,562,736			16,070,988
GROSS PROFIT	2,292,478	(1,559,493)	—		732,985
EXPENSES					
Payroll and consulting	12,195,221	15,839,558			28,034,779
Research and development	8,351,059	1,917,418			10,268,477
Selling, general and administration	7,183,330	15,947,443			23,130,773
Interest expense (income)	1,850,855	4,158,486	6,769,469	4(c)(ii)	18,145,629
			6,284,158	4(c)(ii)	
			(917,339)	4(k)	
Depreciation and amortization expense	2,205,648	226,351	9,223,307	4(h)	11,655,306
Share-based payments	3,118,962	—			3,118,962
Loss on disposal of assets	96,844	—			96,844
TOTAL EXPENSES	(35,001,919)	(38,089,256)	(21,359,595)		(94,450,770)
Change in fair value of derivative asset	721,248	—			721,248
Foreign exchange gain (loss)	44,978	—			44,978
Other income (loss)	89,591	2,092,177			2,181,768
NET LOSS	(31,853,624)	(37,556,572)	(21,359,595)		(90,769,791)
Loss per share - basic and diluted	(0.20)			4(i)	(0.19)
Weighted average number of shares outstanding	159,148,244		322,506,675	4(i)	481,654,919

See accompanying notes to the unaudited pro forma condensed combined consolidated financial information

Exro Technologies Inc.
Pro Forma Condensed Combined Consolidated Statement of Net Loss
For the year ended December 31, 2022
(Expressed in Canadian dollars, except per share amounts – Unaudited)

	Historical		Pro forma Adjustments	Notes	Pro forma Consolidated
	Exro	SEA (Note 3)			
Revenue	2,185,448	20,530,739			22,716,187
Cost of sales	1,900,688	33,661,760			35,562,448
GROSS PROFIT	284,760	(13,131,021)	—		(12,846,261)
EXPENSES					
Payroll and consulting	13,786,604	23,202,285			36,988,889
Selling, general and administration	11,119,270	16,261,199			27,380,469
Research and development	8,765,501	1,877,711			10,643,212
Share-based payments	2,605,472	—			2,605,472
Depreciation and amortization expense	2,245,124	971,482	12,297,743	4(h)	15,514,349
Interest expense (income)	862,529	1,076,574	7,279,770	4(c)(ii)	16,961,413
			7,742,540	4(c)(ii)	
Loss on disposal of assets	66,268	—			66,268
TOTAL EXPENSES	(39,450,768)	(43,389,251)	(27,320,053)		(110,160,072)
Gain (loss) on investment	(2,700,221)	—	2,700,221	4(d)	—
Foreign exchange gain (loss)	1,776,303	—			1,776,303
Other income (loss)	65,014	134,013			199,027
NET LOSS	(40,024,912)	(56,386,259)	(24,619,832)		(121,031,003)
Loss per share - basic and diluted	(0.29)			4(i)	(0.26)
Weighted average number of shares outstanding	137,685,067		322,506,675	4(i)	460,191,742

See accompanying notes to the unaudited pro forma condensed combined consolidated financial information

1. Basis of Presentation

The unaudited pro forma condensed combined consolidated balance sheet gives effect to the merger, SEA debt restructuring, and the related financing as if such had closed on September 30, 2023. The unaudited pro forma condensed combined consolidated statements of net loss for the nine months ended September 30, 2023, and for the year ended December 31, 2022, give effect to the merger, SEA debt restructuring, and related financings as if such had closed on January 1, 2022.

The historical unaudited condensed consolidated balance sheet of the Company as at September 30, 2023, the historical unaudited condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2023, and the historical audited consolidated statement of comprehensive loss for the year ended December 31, 2022, were prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The historical unaudited consolidated balance sheet of SEA as at September 30, 2023, the historical unaudited consolidated statement of comprehensive loss for the three months ended September 30, 2023, and the historical audited consolidated statements of comprehensive loss for the years ended June 30, 2023 and June 30, 2022, were prepared in accordance with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (“FASB”) within its Accounting Standards Codification (“ASC”).

The accompanying unaudited pro forma condensed combined consolidated financial information utilize accounting policies that are consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2022 and were prepared in accordance with recognition and measurement principles of IFRS. For purposes of preparing the unaudited pro forma condensed combined consolidated financial information, the Company has made certain reclassifications to the consolidated balance sheet and the consolidated statement of operations of SEA to conform to the presentation adopted by the Company under IFRS (note 3). The Company has determined that there are no material differences between US GAAP and IFRS as it relates to SEA, except for the recognition of convertible notes, as disclosed in note 4(c)(i).

The merger has been accounted for using the acquisition method. Based on the purchase price calculation as detailed in the Merger Agreement, the estimated net purchase price for SEA is \$250,900,433 (US\$185,553,797) (see note 4a).

The accompanying unaudited pro forma condensed combined consolidated financial information may not be indicative of the results that would have been achieved if the transactions reflected therein had been completed on the dates indicated, or the results which may be obtained in the future. For instance, the actual purchase price allocation will reflect the fair value, at the purchase date, of consideration transferred and the assets acquired, and liabilities assumed based upon the Company’s evaluation of such assets and liabilities following the closing of the merger. Accordingly, the final purchase price allocation may differ materially from the preliminary allocation reflected herein.

The accompanying unaudited pro forma condensed combined consolidated financial information should be read in conjunction with the Merger Agreement, and the accompanying financing provided in the prospectus supplement, the audited financial statements of SEA as at and for the years ended June 30, 2023 and 2022, including the notes thereto, the unaudited condensed consolidated interim financial statements of SEA as at and for the three months ended September 30, 2023, including the notes thereto, the audited consolidated financial statements of the Company as at and for the years ended December 31, 2022 and 2021, including the notes thereto, incorporated by reference in the prospectus supplement, and the unaudited condensed consolidated interim financial statements of the Company as at and for the nine months ended September 30, 2023, including the notes thereto, incorporated by reference in the prospectus supplement.

The underlying assumptions for the pro forma adjustments provide a reasonable basis for presenting the significant financial effects directly attributable to the merger, SEA debt restructuring, and the related financing. These pro forma adjustments are preliminary and are based on currently available financial information and certain estimates and assumptions. The Company has yet to finalize their determination of the fair value of property, plant, and equipment and the identification of all intangible assets, of SEA, and has therefore used carrying value with certain adjustments in the preliminary purchase price allocation presented in the unaudited pro forma condensed combined consolidated financial information. The actual adjustments to the unaudited pro forma condensed combined consolidated financial information will depend on a number of factors, including additional information available and the net assets of SEA on the closing date of the merger. Therefore, it is expected that the actual adjustments will differ from the pro forma adjustments, and the differences may be material. Any final adjustment may change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed consolidated financial statements, including a change to goodwill.

Exro Technologies Inc.**Notes to the Pro Forma Condensed Combined Consolidated Financial Information**

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022
(Expressed in Canadian dollars unless otherwise noted – unaudited)

2. Description of the Transaction

Pursuant to the Merger Agreement, the estimated net purchase price for the acquisition is \$250,900,433 (US\$185,533,797) for the outstanding shares of SEA, and certain securities instruments including outstanding warrants and options, which will be converted to Exro options and Exro warrants as part of the Merger Agreement.

The accompanying unaudited pro forma condensed combined consolidated financial information assume, at closing, the merger will be completed through the issuance of Exro shares, at an exchange ratio of 65.9629 to 1.00 SEA share. SEA shareholders will receive a combination of common shares, and convertible preferred shares, at a rate of 0.47698 common shares and 0.52302 convertible preferred shares.

On January 18, 2024, SEA entered into a debt restructuring agreement, whereby the existing promissory notes were converted into new promissory notes and convertible notes were partially exercised into SEA common shares, with the remaining amount restructured into the new promissory notes. The total amount of debt restructured, including accrued interest was US\$43,000,000 (C\$58,439,150). In addition to the restructuring and settlement of the outstanding debt, SEA's lenders agreed to issue an additional US\$9,000,000 (C\$12,231,450). The estimated outstanding debt as at January 18, 2024, the date of the restructuring agreement, was US\$52,000,000 (C\$70,670,600). The restructuring agreement is further discussed in note 4(c).

Concurrent with the Transaction, and discussed the prospectus supplement, Exro announced a capital raise for an aggregate amount of approximately \$30 million (US\$22 million) through the issuance of subscription receipts of Exro (the "Subscription Receipts").

3. Historical SEA**a. SEA Statement of Financial Position allocation adjustments**

This historical SEA consolidated statement of financial position has been constructed by adjusting the unaudited balance sheet as at September 30, 2023 to reclassify certain items to conform with Exro's presentation on the pro forma condensed combined consolidated statement of financial position. The Company did not identify any material differences between US GAAP and IFRS to adjust for as at September 30, 2023, aside from the treatment on convertible instruments which impact both convertible notes and promissory notes. As a result of the proposed transaction, the impact on convertible notes and promissory notes on the historical financial statements does not have a material impact. In connection with proposed transaction, a portion of the convertible notes were redeemed for SEA shares and the remaining amount restructured into new senior secured promissory notes (note 2). The full balance of the promissory notes were converted into new senior secured promissory notes (note 2). As a result of the conversion and debt restructuring, the GAAP difference is not considered material, and adjustments on the treatment of the senior secured promissory note have been adjusted through the purchase price allocation as described in note 4(c).

SEA Consolidated Statement of Financial Position as at September 30, 2023

	USD	USD		CAD	CAD
	SEA	Allocation adjustments	Notes	Impact of Foreign Exchange ¹	SEA Canadian equivalent
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1,826,482			655,798	2,482,280
Accounts receivable	3,022,425			1,085,202	4,107,627
Prepaid expense	999,866			359,002	1,358,868
Inventory	16,928,768			6,078,274	23,007,042
	22,777,541	—		8,178,276	30,955,817
Property, plant and equipment	1,018,907	1,938,684	3(a)(i)	1,061,923	4,019,514
Right-of-use assets	1,938,684	(1,938,684)	3(a)(i)	—	—
TOTAL ASSETS	25,735,132	—		9,240,199	34,975,331

¹ The column was derived from the historical balance sheet as at September 30, 2023 of SEA, which was prepared in US dollars. The exchange rate used to translate the US dollar amount to Canadian dollars as at September 30, 2023 was \$1.3591 to US \$1.00.

Exro Technologies Inc.

Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022
(Expressed in Canadian dollars unless otherwise noted – unaudited)

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	10,444,337	6,618,580	3(a)(ii)	6,126,440	23,189,357
Accrued liabilities	10,418,580	(6,618,580)	3(a)(ii)	—	—
		(2,300,000)	3(a)(iii)		
		(1,500,000)	3(a)(iii)		
Lease liability - current portion	243,983			87,602	331,585
Convertible notes	17,000,000	2,300,000	3(a)(iii)	6,929,665	26,229,665
Contract liabilities	1,665,797			598,104	2,263,901
	39,772,697	(1,500,000)		13,741,811	52,014,508
Promissory notes/SBA Loan	30,106,695	(106,695)	3(a)(iv)	11,310,075	42,810,075
		1,500,000	3(a)(iii)		
Long-term debt	—	106,695	3(a)(iv)	38,309	145,004
Lease liability - long-term portion	1,860,228			667,915	2,528,143
Warranty provision	901,676			323,747	1,225,423
TOTAL LIABILITIES	72,641,296	—		26,081,857	98,723,153

SHAREHOLDERS' EQUITY

Share capital	28,741	59,427,502	3(a)(v)	21,347,764	80,804,007
Series A preferred shares	59,427,502	(59,427,502)	3(a)(v)	—	—
Contributed surplus	13,245,230			4,755,700	18,000,930
Deficit	(117,086,021)			(42,039,736)	(159,125,757)
Accumulated other comprehensive loss	(2,521,616)			(905,386)	(3,427,002)
TOTAL SHAREHOLDERS' EQUITY	(46,906,164)	—		(16,841,658)	(63,747,822)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,735,132	—		9,240,199	34,975,331

- i. Right-of-use assets have been reclassified to property, plant and equipment to align with Exro's presentation.
- ii. Total amount of US\$6,618,580 has been reclassified from accrued liabilities under SEA's financial statement presentation, to be included in accounts payable and accrued liabilities, representing current liabilities on the pro forma condensed combined consolidated statement of financial position.
- iii. Balances of US\$2,300,000 and US\$1,500,000 represent accrued interest on the convertible notes and promissory notes respectively. The balances have been reclassified to be included against the total outstanding balances for the convertible notes and promissory notes.
- iv. Interest accrued on the SBA loan has been reclassified to align with Exro's presentation, and allocated to long-term debt.
- v. As a result of the proposed transaction, all SEA shares, including both common shares and series A preferred shares will be exchanged for Exro common shares, as such, all series A preferred shares have been reclassified to share capital and then eliminated on consolidation.

b. SEA Statement of Comprehensive Income allocation adjustments

The historical SEA statement of net loss for the nine months ended September 30, 2023 was calculated from the audited statement of comprehensive income for the year ended June 30, 2023, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022, and to include amounts from the historical unaudited statement of comprehensive income for the three months ended September 30, 2023. SEA's historical statements of comprehensive income were prepared in US dollars. Certain adjustments, as described below, have been made to SEA's historical statement of comprehensive income to align with the presentation of Exro's financial statements for the purposes of constructing the pro forma financial information, including the impact of foreign exchange.

Exro Technologies Inc.

Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022
(Expressed in Canadian dollars unless otherwise noted – unaudited)

SEA Consolidated Statement of Net Loss for the nine months ended September 30, 2023

	USD	USD		CAD	CAD
	SEA	Allocation adjustments	Notes	Impact of Foreign Exchange ²	SEA Canadian equivalent
Revenue	8,916,772	—		3,086,471	12,003,243
Cost of sales	10,075,263	—		3,487,473	13,562,736
GROSS PROFIT	(1,158,491)	—		(401,002)	(1,559,493)
EXPENSES					
Payroll and consulting	—	11,766,631	3(b)(i)	4,072,927	15,839,558
Research and development	1,424,380	—		493,038	1,917,418
Selling, general and administration	23,781,554	(11,934,779)	3(b)(i)	4,100,668	15,947,443
Interest expense (income)	3,089,188	—		1,069,298	4,158,486
Depreciation expense	—	168,148	3(b)(i)	58,203	226,351
TOTAL EXPENSES	(28,295,122)	—		(9,794,134)	(38,089,256)
Other income (loss)	1,554,202	—		537,975	2,092,177
NET LOSS	(27,899,411)	—		(9,657,161)	(37,556,572)

The historical SEA statement of net loss for the year ended December 31, 2022 was calculated from the audited statement of comprehensive income for year ended June 30, 2022, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2021, and to include amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022. SEA's historical statements of comprehensive income were prepared in US dollars. Certain adjustments, as described below, have been made to SEA's historical statement of comprehensive income to align with the presentation of Exro's financial statements for the purposes of constructing the pro forma financial information, including the impact of foreign exchange.

SEA Consolidated Statement of Net Loss for the year ended December 31, 2022

	USD	USD		CAD	CAD
	SEA	Allocation adjustments	Notes	Impact of Foreign Exchange ³	SEA Canadian equivalent
Revenue	15,779,524	—		4,751,215	20,530,739
Cost of sales	25,871,770	—		7,789,990	33,661,760
GROSS PROFIT	(10,092,246)	—		(3,038,775)	(13,131,021)
EXPENSES					
Payroll and consulting	—	17,832,822	3(b)(i)	5,369,463	23,202,285
Selling, general and administration	31,077,523	(18,579,484)	3(b)(i)	3,763,160	16,261,199
Research and development	1,443,172	—		434,539	1,877,711
Depreciation expense	—	746,662	3(b)(i)	224,820	971,482
Interest expense (income)	827,434	—		249,140	1,076,574
TOTAL EXPENSES	(33,348,129)	—		(10,041,122)	(43,389,251)
Other income (loss)	103,000	—		31,013	134,013
NET LOSS	(43,337,375)	—		(13,048,884)	(56,386,259)

² The exchange rate used to translate the US dollar amounts is the average rate for the nine months ended September 30, 2023, of \$1.3461 for US \$1.00.

³ The exchange rate used to translate the US dollar amounts is the average rate for the year ended December 31, 2023, of \$1.3011 for US \$1.00.

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As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022
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- i. The pro forma condensed combined consolidated statement of net loss takes into account certain adjustments to selling, general and administration costs to align with Exro's presentation. Amounts related to payroll and consulting, and depreciation, have been reallocated from selling, general and administration to the respective categories per Exro's statement of comprehensive loss.

4. Pro Forma Adjustments

The pro forma adjustments have been prepared by the Company using available information and certain assumptions that management believes are reasonable under the circumstances. The pro forma adjustments included in the unaudited pro forma consolidated statements are as follows:

a. Purchase price

	Securities Issued	Consideration	Notes
Common shares	153,829,234	118,448,510	4(a)(i)
Preferred shares	168,677,441	129,881,630	4(a)(i)
Options	4,085,873	2,570,293	4(a)(ii)
Estimated purchase price		250,900,433	

- i. The share exchange ratio was calculated at 65.96 to 1.00 SEA, based on the 10-day vwap of Exros trading price as at January 30, 2024, to be issued in a combination of Exro Common Shares and Exro Convertible Preferred Shares, such that Exro retains the majority voting rights. An estimated 157,742,599 Common Shares will be issued and 172,968,540 Convertible Preferred Shares in exchange for the outstanding SEA shares. The consideration has been calculated using Exro's share price of \$0.77, reflective of the closing price on February 27, 2024. The total consideration paid will be based on the share price as of the date of close and may change materially.
- ii. Pursuant to the Merger Agreement, outstanding options 61,942 held in SEA, are to be converted into Exro options in accordance with the exchange ratio, for a total of 4,085,873 options post close. In accordance with IFRS 2, share-based payment, the value of the options and warrants immediately prior to the merger are calculated as part of the purchase price consideration. All outstanding options are fully vested, and the difference between the value post merger is considered to be remuneration of Exro subsequent to the merger.

All options are converted at the same exchange ratio. The exercise price of the options is adjusted based on the exchange ratio. The fair value of options has been calculated using a black-scholes model.

b. Allocation of the estimated net purchase price

	SEA ⁴	Fair value adjustments	Notes	Debt restructuring and US GAAP to IFRS considerations	Notes	Fair Value
Assets acquired						
Cash and cash equivalents	2,482,280		4(b)(ii)			2,482,280
Accounts receivable	4,107,627		4(b)(ii)			4,107,627
Prepaid expense	1,358,868		4(b)(ii)			1,358,868
Inventory	23,007,042		4(b)(ii)			23,007,042
Property, plant and equipment	4,019,514		4(b)(ii)			4,019,514
Intangible assets	—	122,977,425	4(b)(i)			122,977,425
Total assets acquired	34,975,331	122,977,425			—	157,952,756
Liabilities assumed						
Accounts payable and accrued liabilities	23,189,357		4(b)(ii)			23,189,357
Lease liability - current portion	331,585		4(b)(iii)			331,585
Long-term debt	145,004		4(b)(ii)			145,004

⁴ The exchange rate used to translate the US dollar amount to Canadian dollars as at September 30, 2023 was \$1.3591 to US \$1.00.

Exro Technologies Inc.**Notes to the Pro Forma Condensed Combined Consolidated Financial Information**

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Convertible notes	26,229,665		(26,229,665)	4(c)	—
Contract liabilities	2,263,901	4(b)(ii)			2,263,901
Promissory notes/SBA Loan	42,810,075		(42,810,075)	4(c)	—
Senior convertible promissory notes	—		63,262,100	4(c)	63,262,100
Lease liability - long-term portion	2,528,143	4(b)(iii)			2,528,143
Warranty provision	1,225,423	4(b)(ii)			1,225,423
Warrant liability	—		7,425,069	4(c)	7,425,069
Deferred tax liability	—	29,514,582	4(b)(iv)		29,514,582
Total liabilities acquired	98,723,153	29,514,582	1,647,429		129,885,164
Net assets at fair value as at September 30, 2023	(63,747,822)	93,462,843	(1,647,429)		28,067,592
Estimated purchase price					250,900,433
Fair value of shares previously held in SEA				4(d)	6,317,437
Goodwill					229,150,278

Under the acquisition method, the acquired tangible and intangible assets and assumed liabilities of the acquired entity are primarily measured at their estimated fair value at the date of Merger. The estimated fair values and useful lives of assets acquired, and liabilities assumed are preliminary and subject to final valuation adjustments which may cause some of the amounts ultimately recorded as goodwill to be materially different from those shown on the unaudited pro forma condensed consolidated balance sheet. The preliminary estimates used to prepare the pro forma information presented will be updated after the closing of the merger based upon management's final analysis. Any excess of the purchase price over the preliminary estimated fair value of net assets acquired would be classified as goodwill on the accompanying unaudited pro forma condensed consolidated combined balance sheet. Such goodwill is not amortized but would be evaluated for impairment on at least an annual basis. The Company has yet to determine the fair value of SEA's assets and liabilities, and has therefore used the following approach:

- i. The Company has allocated a portion of the proceeds to intangible assets expected to be realized through the merger. The fair value of the intangible assets is preliminary, and may change materially on the final valuation.
- ii. The carrying value of property, plant and equipment, working capital items, and warranty provision are assumed to approximate its fair value.
- iii. The carrying value of current and long-term lease liabilities have been assumed to approximate their fair value. A difference may exist in the use of the incremental borrowing rate; however, the amounts are not expected to have a material impact on the calculation.
- iv. The deferred tax liability arises from the difference in accounting and tax basis on the intangible assets acquired through the merger. The amount has been calculated based on SEA's combined US tax rate of 24%, including both federal and applicable state taxes. Subsequent adjustments to the deferred tax liability may occur based on the jurisdiction of certain intangible assets acquired and further consideration as to whether SEA has deferred tax assets that have not previously been recognized that could be recorded to offset the deferred tax liability recorded. Any reduction in the deferred tax liability would result in a corresponding reduction in goodwill recorded on the transaction.

c. Debt restructuring

- i. SEA outstanding debt and IFRS to US GAAP conversion differences

In connection with the Merger Agreement, and described in note 2, SEA's outstanding promissory notes and convertible notes were restructured including:

- Of the US\$17,000,000 outstanding convertible notes, \$15,000,000 were owned by one investor and converted at 50% of the face value, 50% of the 10% success fee, and 100% of the accrued interest to SEA shares prior to the Merger Agreement. The remaining US\$2,000,000 of convertible notes were fully converted to common shares, including accrued interest. The total balance converted into SEA common shares, including the success fee and accrued interest, was US\$11,000,000 (C\$14,949,550). The amounts have been included in the purchase price consideration through the total SEA shares exchanged.

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- The remaining convertible notes, and related success fee, were exchanged for new convertible notes totaling US\$10,400,000 (C\$14,134,120).
- The balance of promissory notes, including accrued interest, were exchanged for new convertible notes totaling US\$32,600,000 (C\$44,305,030).
- In addition to the US\$43,000,000 (C\$58,439,150), SEA received proceeds of US\$4,000,000 (C\$5,436,200) through the issuance of convertible notes prior to the merger agreement, and is expected to receive an additional US\$5,000,000 (C\$6,795,250) through the issuance of convertible notes subsequent to the signing of the merger agreement. The US\$9,000,000 (C\$12,231,450) has been excluded from the pro forma adjustments, as the amounts are expected to be utilized in funding SEA’s working capital requirements through to close.

The total amounts related to the convertible notes and promissory notes have been reversed from SEA’s balance sheet through the pro forma adjustments, and replaced with the restructured debt discussed in note 4(c)(ii) and common shares included in the purchase price consideration. Differences between IFRS and US GAAP are further discussed below as it relates to the historical SEA debt instruments.

US GAAP to IFRS Differences

Under US GAAP the SEA convertible notes held prior to the debt restructuring, were treated as a liability with no embedded features under ASC 815 that were required to be bifurcated from the convertible note. Under IFRS, the convertible note would be assessed in accordance with IFRS 9, which would require the separation of embedded derivatives, including the prepayment feature and conversion feature. Furthermore the promissory notes included a warrant issued to the debt holders and a prepayment feature, which would be accounted for as a derivatives under IFRS. As the accounting is not relevant to the ongoing business due to the debt restructuring, the impacts have not been further quantified.

ii. Restructured debt

The restructuring agreement was entered into on January 18, 2024, and total SEA debt outstanding is expected to be approximately US\$52,000,000 (C\$70,670,600) at an interest rate of 12% per annum, payable on June 30 and December 31 annually. The debt will mature on the later to occur of the third anniversary of (i) the contemplated transaction closing, or (ii) the date of issuance. On close of the transaction, the notes will be exchanged for Exro Senior Secured Convertible Promissory Notes. The restructured debt has been provided for on terms similar to those that would have been expected on a debt facility not linked to the previously outstanding debt.

At the holders' option, beginning on the first anniversary of the transaction closing, the debentures may be converted into common shares of the Company at an exercise price equal to 125% of the offering price of \$0.95 per share.

Beginning on the first anniversary, the Company is entitled to redeem the debentures at 105% of the principal amount (“redemption price”) thereof plus accrued and unpaid Interest.

In addition, all outstanding warrants held by the lender in connection with the original outstanding debt, will be converted, at the exchange ratio, into Exro warrants.

The adjustments to the pro forma condensed consolidated combined financial information take into account the treatment of the restructured debt in accordance with IFRS 9. The table below highlights the allocation for each component of the senior convertible promissory note:

	Senior convertible promissory note	Warrant liability	Total
Balance at September 30, 2023	63,262,100	7,425,069	70,687,169

The senior secured convertible promissory notes are treated as a liability because the conversion feature and equity features do not meet the equity classification criteria due to them being denominated in USD which differs from Exro’s functional currency. The warrants also do not meet the definition of an equity instrument due to certain net settlement terms. The conversion feature and host debt are recorded together as the senior promissory note, while the warrant is separately classified as a stand alone liability.

Host debt and conversion feature - the conversion feature is based on a US dollar debt balance compared to a Canadian Dollar exercise price, as such a variable amount of common shares will may be received on the

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conversion resulting in a liability classification. The total balance of the convertible feature and host debt has been calculated as \$63,262,100. The total amount related to the conversion feature is \$20,675,094, and the host debt is calculated as the residual amount of \$42,587,006, and accreted over the life of the debt. For purposes of these pro forma financial information it was assumed the prepayment feature did not significantly impact the value of the embedded conversion feature based on the Company's expectation not to prepay the debt. Any impact from the prepayment feature would reduce the value of the conversion feature and reduce the accretion expense to be recognized. Further assessment over the feature is expected to be completed on close of the transaction.

Liability classified warrant - the warrants include the ability to settle on a net basis, where the holder, in lieu of exercising for cash, may elect to receive shares equal to the value of the warrant, which results in a variable number of common shares to be issued, should the holder exercise on a net basis. The warrants have been classified as a current liability at a value of \$7,425,069, and the fair value calculated using a black-scholes model. This value is an initial estimate and may vary based on market conditions at the closing date, at which time further valuation work will be performed.

Accretion expense of \$6,769,469 and \$7,279,770 have been included in the pro forma condensed combined consolidated statement of net loss for the periods ended September 30, 2023 and December 31, 2022, respectively, which accounts for the transaction had it occurred on January 1, 2022. Additionally, interest expense of \$6,284,158 and \$7,742,540 have been included in the pro forma condensed combined consolidated statement of net loss for the periods ended September 30, 2023 and December 31, 2022, respectively. It is not possible to estimate the fair value changes that would be attributable to the embedded conversion feature and the warrants, which will be based on future market conditions, as such no fair value movements have been recorded in the pro forma statements of net loss.

The senior convertible promissory notes and warrant liability have been recorded as current liabilities to reflect adoption amendments to IAS 1 regarding non-current liabilities with covenants which will be effective at the closing date of the transaction (ie. it is effective for Exro from January 1, 2024). This will require the senior convertible promissory notes to be classified as a current liability due to the fact that they are not a compound instrument and the holders can demand settlement in shares through converting within a one year period.

d. Investments

On February 9, 2021, the Company announced an extended strategic collaboration agreement with SEA Electric Holdings Pty Ltd., a subsidiary of SEA. As part of the agreement, Exro invested US\$5,000,000 by subscribing for 124,380 Series A Preferred Shares at a price of US\$40.1995 per share.

As at September 30, 2023 the Exro's investment in SEA was carried at a fair value of \$10,818,473 (US \$7,960,320). As a result of the proposed transaction, the shares have been revalued at the same rates applied in the purchase price calculation disclosed in note 4(a), applying the share price of \$0.77 as of February 27, 2024. The fair value of Exro's investment in SEA was revalued to \$6,317,437, which has been included in the goodwill balance disclosed in note 4(b). The fair value loss of \$4,501,036 is reflected as an increase to deficit in the pro forma statement of financial position.

The impact of the loss on investment recognized by the Company for the year ended December 31, 2022 is reversed in the pro forma adjustments.

e. Financing

In connection with the Merger Agreement, the Company has announced capital raise of approximately \$30,020,000 through the issuance of subscription receipts. The subscription receipts will automatically convert to common shares on close of the Merger Agreement, as such the subscription receipts have been included as common shares of the pro forma financial information. Information with respect to the financing is described in the prospectus supplement, and proceeds have been included in the consolidated pro forma amounts. The amount included of \$27,850,000 is net of estimated transaction costs of \$2,170,000.

f. SEA shareholders' equity

The historical equity balances of SEA's shareholders' equity, including share capital, contributed surplus, deficit and accumulated other comprehensive loss, have been eliminated on consolidation.

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g. Transaction costs

Adjustment to reflect the estimated acquisition costs in connection with the Merger Agreement. The transaction costs are related to estimated accounting, legal, tax and other costs associated with the completion of the merger Agreement, including costs incurred by both SEA and Exro. These costs have been included as a pro forma adjustment to retained earnings and cash on the unaudited pro forma condensed combined consolidated statement of financial position, as opposed to being included on the unaudited pro forma condensed combined consolidated statement of net loss on the basis that these expenses are directly incremental to the Merger Agreement between Exro and SEA, and are non-recurring in nature.

h. Depreciation

The amount has been adjusted to reflect depreciation on the preliminary fair value adjustments allocated to intangible assets. The estimated useful life has been calculated based on a preliminary estimate of 10 years.

i. Earnings per shares

Earnings per share has been calculated by dividing the pro forma net income applicable to all outstanding common shares and preferred shares by the weighted average number of common shares outstanding for the year-ended December 31, 2022 and the nine months ended September 30, 2023. The amount includes non-voting convertible preferred shares outstanding, on the basis that they share in the dividends at the same rate as common shares. Subscription receipts issued on financing, discussed in note 4(e), are included in full on the basis that they will be automatically converted to common shares on close of the transaction. For the purpose of the pro forma condensed combined consolidated statement of net loss, the transaction is assumed to have closed on January 1, 2022.

j. Deferred tax

Exro has carryforward losses for which they currently do not recognize deferred tax assets. It is possible that some of these losses are available in jurisdictions that could be used to offset the deferred tax liability recorded as part of the purchase price allocation. Recognition of these deferred tax assets would occur subsequent to the purchase price allocation and therefore result in an income tax benefit being recorded in the post-acquisition income statement. Given the uncertainty at this time in Exro's ability to utilize these losses against the deferred tax liability no adjustment has been made to the pro forma financial information to recognize these losses.

k. Convertible debentures

Despite the Merger Agreement not being deemed to result in a change of control for Exro, the terms of the Exro convertible debentures do trigger the change of control clause. Therefore within 30 days following the deemed change of control, the Company is obligated to offer to purchase all the outstanding convertible debentures. The Company therefore expects to make the required offer. The pro forma financial information assumes the redemption of \$14,950,000 principal of convertible debentures, assuming that all offers to redeem the convertible debentures are excepted within 30 days of close of the transaction. This amount has therefore been reflected as a reduction of cash. The redemption will result in a reduction to the debt, the related derivative asset and the equity component of the convertible debt, with the offsetting loss on settlement of \$5,139,517 is reflected through deficit. The related interest and accretion expense for the nine months ended September 23, 2023 has been reduced from the pro forma statement of net loss for a total amount of \$917,339. No impact would exist on the interest expense for the period ended December 31, 2022, as the convertible debentures were entered into on December 30, 2022.

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If you have any questions or require assistance with voting your shares, please contact:



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