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	• 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.
	• Key differentiators that contribute to the efficiency, performance, and cost of the power-system:
	  • software centrally controls all the key electrical components to better calibrate draw of power;
	  • the power output of the batteries is managed by the vehicle controller to eliminate the need of liquid thermal management.
	  • ability to mix battery capacity and motor size to better optimize performance and cost;
	  • mid-mounted batteries for improved safety;

Products	Features
	• 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 120a	• 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.
SEA-Drive® power-system 120b	• The SEA-Drive® power-system 120b: • 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	• The SEA-Drive® power-system 180b: • 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)	• The SEA-Drive® power-system 70-7: • 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)	• The SEA-Drive® power-system 100: • 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.)	• The SEA-Drive® power-system 250 (which is currently in the prototype assembly phase of development): • 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:

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

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:

Year ended June 30,		**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 2022, 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 *(in U.S. Dollars)* 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	$	6,971824
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 and 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

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 resolve the amounts owed to Mr. 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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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	$633,318.67	$4,492,240	N/A	N/A		N/A	$399,721	$5,525,279.67
	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	N/A	N/A	N/A	N/A		N/A	N/A	N/A
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

	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)**
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.

<u>The Role of the Board of Directors and Management</u>

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.

<u>The Board of Directors</u>

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.

<u>Committees of the Board of Directors</u>

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
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 cyclicality 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 vent, to recover from the event and to possible 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)

Contents

SEA Electric Inc.
Consolidated Interim Financial Statements
Three and six months ended December 31, 2023 and 2022
(Unaudited)

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)

	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)

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					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
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					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
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)

Six Months Ended December 31,	**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.

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 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.

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).

(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 requires 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.

(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

(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.

(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 and 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 interim balance sheet at December 31, 2023.

Miscellaneous loans payable at 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.

(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.

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.

(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:

Six Months ended December 31,	**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

Six Months ended December 31,	**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.

(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.

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.

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)

Contents

SEA Electric Inc.
Consolidated Interim Financial Statements
Three months ended September 30, 2023 and 2022
(Unaudited)

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)

Three Months Ended September 30,		**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					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
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					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
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)

Three Months Ended September 30,	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.

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 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 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).

(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 requires 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.

(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:

Three months ended September 30,	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**

(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.

(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 and 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.

(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 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.

(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:

Three Months ended September 30,	**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**

Three Months ended September 30,	**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**

(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.

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 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

SEA Electric Inc.

Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

Contents

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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.

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)

June 30,	**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)

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	**(2,498,869)**	(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					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
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)

Year ended June 30,	**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.

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 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.

(in U.S. dollars)

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 simply 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 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.

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.

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.

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 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.

(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 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.

(in U.S. dollars)

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:

June 30,	**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:

June 30,	**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 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.

(in U.S. dollars)

5. Property and Equipment, Net

Property and equipment, net is comprised of the following items:

June 30,		**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:

June 30,		**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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(in U.S. dollars)

ROU assets and lease liabilities for operating leases were recorded in the consolidated balance sheets as follows:

June 30,		**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:

June 30, 2022	**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:

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
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

(in U.S. dollars)

7. Accrued Liabilities and Other

Accrued liabilities and other are comprised of the following items:

June 30,	**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:

June 30, 2022	**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.

(in U.S. dollars)

9. Loans Payable

Loans payable consisted of the following:

June 30,		**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.

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.

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.

(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

(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:

June 30,	**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:

Year ended June 30,	**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.

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.

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

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	(1,797,520)	(911,281)
Operating Expenses:		
Selling, General and Administrative	(11,514,982)	(7,971,959)
Research and Development	(2,047,264)	(1,851,968)
Total Operating Expenses	(13,562,246)	(9,823,927)
Loss from Operations	(15,359,766)	(10,735,208)
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	(1,440,784)	1,644,941
Net Loss Before Income Taxes	(16,800,550)	(9,090,267)
Current Income Taxes	—	—
Deferred Income Taxes	—	—
Loss After Income Tax Expense	(16,800,550)	(9,090,267)
Other Comprehensive Loss		
Foreign Currency Translation Adjustment	(359,130)	(52,627)
Total Comprehensive Loss	$ (17,159,680)	$ (9,142,894)

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				
	Number of Shares	**Amount**	**Additional Paid-in Capital**	**Number of Shares**	**Amount**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total Stockholders' Equity / Deficit**
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

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.

(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 form 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

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.

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 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 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 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.

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 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.

(In U.S. Dollars)

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
	113,993	520,601

(In U.S. Dollars)

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	$ 263,882	$ 606,071

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.

(In U.S. Dollars)

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
	5,475,619	1,587,267
Less: Inventory Provision	(56,976)	(24,328)
Total Inventory, Net	$ 5,418,643	$ 1,562,939

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	$ 6,399,774	$ 595,378

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.

(In U.S. Dollars)

6. Property, Plant and Equipment, net

Property and equipment, net is comprised of the following items:

	June 30, 2021	June 30, 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	2,303,772	1,246,210
Less accumulated depreciation and amortization	(778,679)	(491,686)
Property and Equipment, net	$ 1,525,093	$ 754,524

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	June 30, 2020
Operating lease expense	511,079	384,656
Short-term lease expense	—	—
Total	$ 511,079	$ 384,656

(In U.S. Dollars)

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	$ 2,761,017	$ 2,585,737
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	$ 2,849,364	$ 2,681,106

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	$ 2,849,364

(In U.S. Dollars)

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	June 30, 2020
Patents and trademarks	$ 117,671	$ 58,747
Less: accumulated amortization	(10,562)	—
Total	$ 107,109	$ 58,747

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	June 30, 2020
Accounts payable – trade	$ 520,787	$ 953,659
Other payables	—	245,138
Total	$ 520,787	$ 1,198,797

(In U.S. Dollars)

10. Accrued Liabilities and Other

Accrued liabilities and other comprised of the following items:

	June 30, 2021	June 30, 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	June 30, 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.

(In U.S. Dollars)

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.

(In U.S. Dollars)

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	$ 162,315	$ 138,544

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.

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.

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.

(In U.S. Dollars)

Disaggregation of Revenue

Our revenues related to the following types of business and geographic regions were as follows:

	June 30,	
Products/Services	**2021**	**2020**
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,	
Primary Geographic Markets	**2021**	**2020**
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.

(In U.S. Dollars)

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,	
Contract Liabilities	**2021**	**2020**
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	$ 1,519,400	$ 1,568,049

17. Other Income

	June 30,	
	2021	**2020 (Restated)**
Government Support	$ 678,832	$ 458,858
R&D Incentives	—	1,673,599
Other	236	—
Total	$ 679,068	$ 2,132,457

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.

(In U.S. Dollars)

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	$ 11,514,982	$ 7,971,959

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)	$ —	$ —

(In U.S. Dollars)

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 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.

(In U.S. Dollars)

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.

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.

(In U.S. Dollars)

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)