

**No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.**

*This amended and restated prospectus supplement, together with the amended and restated short form base shelf prospectus dated January 15, 2024 to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in this amended and restated prospectus supplement and in the amended and restated short form base shelf prospectus dated January 15, 2024 to which it relates, constitutes a public offering of securities offered pursuant hereto only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*The securities offered under this amended and restated prospectus supplement have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any securities laws of any state of the United States and may not be offered or sold to, or for the account or benefit of, persons in the United States or U.S. Persons unless exemptions from the registration requirements of the U.S. Securities Act and any applicable securities laws of any state of the United States are available. This amended and restated prospectus supplement does not constitute an offer to sell or a solicitation or an offer to buy any of the securities offered hereby to, or for the benefit of, persons in the United States or U.S. persons. See "Plan of Distribution". As used herein "United States" and "U.S. Person" are as defined in Regulation S under the U.S. Securities Act and "U.S." means the United States.*

**Information has been incorporated by reference in this amended and restated prospectus supplement, and in the amended and restated short form base shelf prospectus dated January 15, 2024 to which it relates, from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at 1000 – 355 Burrard Street, Vancouver, BC V6C 2G8, Telephone: 604 674-7746 and are also available electronically at [www.sedarplus.com](http://www.sedarplus.com).

**AMENDED AND RESTATED PROSPECTUS SUPPLEMENT  
AMENDING AND RESTATING THE PROSPECTUS SUPPLEMENT DATED MARCH 5, 2024  
TO THE  
AMENDED AND RESTATED SHORT FORM BASE SHELF PROSPECTUS DATED JANUARY 15, 2024**

New Issue

March 6, 2024



**EXRO TECHNOLOGIES INC.**

**\$30,020,000**

**31,600,000 Common Shares Issuable upon Conversion of 31,600,000 Subscription Receipts**

This amended and restated prospectus supplement (this "**Prospectus Supplement**"), together with the accompanying amended and restated short form base shelf prospectus dated January 15, 2024 (the "**Shelf Prospectus**"), qualifies the distribution of 31,600,000 common shares (the "**Common Shares**") of Exro Technologies Inc. (the "**Company**" or "**Exro**") issuable for no additional consideration upon the conversion of 31,600,000 subscription receipts (the "**Subscription Receipts**") issued on February 16, 2024 (the "**Closing Date**") at a price of \$0.95 per Subscription Receipt (the "**Offering Price**") to purchasers resident in each of the Provinces of Ontario, Alberta, British Columbia, Manitoba, New Brunswick and Nova Scotia (collectively, the "**Qualifying Jurisdictions**") and certain other jurisdictions outside of Canada on a private placement basis pursuant to prospectus and registration exemptions under applicable securities legislation, for aggregate gross proceeds to the Company of \$30,020,000 (the "**Offering**"). The Subscription Receipts were issued pursuant to an underwriting agreement dated February 16, 2024 (the "**Underwriting Agreement**") between the Company, Canaccord Genuity Corp. ("**Canaccord**") and Eight Capital (together with Canaccord, the "**Co-Lead Underwriters**"), acting as co-lead underwriters and joint bookrunners, National Bank Financial Inc., ATB Securities Inc. and Stifel Nicolaus Canada Inc. (collectively with the Co-Lead Underwriters, the "**Underwriters**"). The Offering Price and other terms of the Offering were determined by arm's length negotiation between the Company and Canaccord, on behalf of the Underwriters, in the context of the market. See "**Plan of Distribution**".

The Subscription Receipts were created and issued pursuant to the terms of a subscription receipt agreement dated February 16, 2024 (the "**Subscription Receipt Agreement**") between the Company, Odyssey Trust Company ("**Odyssey Trust**"), in its capacity as Subscription Receipt agent, and Canaccord. Pursuant to the Subscription Receipt Agreement, upon the delivery of the Escrow Release Notice (as defined herein) on or before 5:00 p.m. (Eastern time) on June 30, 2024, or such later date as may be agreed to by the Company and Canaccord (the "**Escrow Release Deadline**"), each Subscription Receipt will be automatically converted, without payment of any additional consideration or action on the part of the holder thereof, into one Common Share, plus a Dividend Equivalent Payment (as defined herein), if any. This Prospectus Supplement qualifies the distribution of the Common Shares issuable upon conversion of the Subscription Receipts. See "*Plan of Distribution*".

**The Subscription Receipts are not available for purchase pursuant to this Prospectus Supplement and no additional funds will be received by the Company from the distribution of the Common Shares upon automatic conversion of the Subscription Receipts. This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any securities.**

The outstanding Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "EXRO" and on the OTCQB Venture Exchange under the symbol "EXROF". On March 5, 2024, the last trading day before the date of this Prospectus Supplement, the closing price of the Common Shares on the TSX was \$0.80. On February 27, 2024, the TSX approved the Offering, the issuance of the Common Shares upon the automatic conversion of the Subscription Receipts and the listing of such Common Shares, subject to: (a) the Company receiving the requisite shareholder approvals prior to the satisfaction of the Escrow Release Conditions (as defined herein); and (b) the conversion of the Subscription Receipts following satisfaction of the Escrow Release Conditions occurring prior to the Escrow Release Deadline.

The following sets forth the Offering Price and the net proceeds to the Company from the Offering:

	<b>Price to the Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Company<sup>(2)(3)</sup></b>
Per Subscription Receipt	\$0.95	\$0.057	\$0.893
Total <sup>(4)</sup>	\$30,020,000	\$1,801,200	\$28,218,800

**Notes:**

- (1) Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters a cash fee equal to 6.0% of the gross proceeds of the Offering (the "**Underwriters' Fee**"), of which 100% of the Underwriters' Fee payable in respect of the Subscription Receipts (together with interest earned thereon) will be paid on the release of the Escrowed Proceeds (as defined herein). See "*Plan of Distribution*".
- (2) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering paid on the Closing Date, being \$364,281.12, and the expenses of the Offering payable on release of the Escrowed Proceeds (as defined herein), which are estimated at \$95,000.
- (3) Excluding interest accrued, if any, on the Escrowed Proceeds.
- (4) The distribution of the Common Shares on the automatic conversion of the Subscription Receipts will not result in any additional proceeds being received by the Company.

On the Closing Date, the aggregate gross proceeds of the Offering, less the Underwriters' costs and expenses owed on the Closing Date (the "**Closing Date Underwriters' Expenses**") (which Closing Date Underwriters' Expenses included, without limitation, all expenses of or incidental to the sale and delivery of the Subscription Receipts incurred by the Underwriters, all costs incurred by the Underwriters in connection with the preparation of documents relating to the Offering, the reasonable fees and disbursements of legal counsel to the Underwriters as of the Closing Date, and applicable taxes thereon) (the "**Escrowed Proceeds**"), were deposited into escrow with Odyssey Trust in accordance with the Subscription Receipt Agreement pending satisfaction of the following conditions (the "**Escrow Release Conditions**"):

- (a) the satisfaction of all conditions precedent to the completion of the indirect acquisition by the Company (the "**Acquisition**") of 100% of the issued and outstanding shares of common stock and shares of preferred stock (the "**Purchased Shares**") of SEA Electric Inc. ("**SEA**") set forth in the agreement and plan of merger dated January 29, 2024 between Exro, eTruck VCU Acquisition Inc. and SEA (the "**Merger Agreement**"), other than the release

of the Escrowed Funds (as defined herein) to the Company pursuant to the Subscription Receipt Agreement and other conditions which by their nature cannot be satisfied until the Effective Time (as defined herein), but including, for the avoidance of doubt, receipt of the approval of the Company's shareholders for the issuance of the Common Shares issuable upon automatic conversion of the Subscription Receipts, shall have been satisfied to the satisfaction of, or waived by, Canaccord, on behalf of the Underwriters, and the Company, as applicable; and

- (b) the delivery of a notice to Odyssey Trust, executed by the Company and acknowledged by Canaccord, on behalf of the Underwriters, certifying that the condition set forth in (a) above has been satisfied (the "**Escrow Release Notice**").

Pursuant to the Subscription Receipt Agreement, upon satisfaction of the Escrow Release Conditions, the Subscription Receipts will be automatically converted into Common Shares and the Escrowed Proceeds and any interest or other income earned thereon (the "**Earned Interest**", and together with the Escrowed Proceeds, the "**Escrowed Funds**"), less the Underwriters' Fee payable in respect of the Subscription Receipts, together with interest earned thereon, and the Underwriters' costs and expenses owed upon satisfaction of the Escrow Release Conditions (the "**Escrow Release Underwriters' Expenses**", and together with the Closing Date Underwriters' Expenses, the "**Underwriters' Expenses**") (which Escrow Release Underwriters' Expenses include, without limitation, all expenses of or incidental to the sale and delivery of the Subscription Receipts incurred by the Underwriters, all costs incurred by the Underwriters in connection with the preparation of documents relating to the Offering, the reasonable fees and disbursements of legal counsel to the Underwriters, and applicable taxes thereon, that are incurred by the Underwriters following the payment of the Escrow Release Underwriters' Expenses) will be released to the Company. See "*Plan of Distribution*".

In the event that: (i) the Escrow Release Conditions are not satisfied on or before the Escrow Release Deadline; or (ii) the Company publicly announces that it does not intend to proceed with the Acquisition (each, a "**Termination Event**", and the date upon which such event occurs, the "**Termination Date**"), the Subscription Receipts shall be automatically terminated and cancelled and each holder thereof shall be entitled to receive from Odyssey Trust an amount equal to the aggregate Offering Price of the Subscription Receipts held by each such holder plus such holder's *pro rata* share of the Earned Interest, less applicable withholding taxes, if any (the "**Termination Payment**"). If the funds available for distribution by Odyssey Trust are insufficient to satisfy the amounts required to be paid by Odyssey Trust, the Company shall fund any shortfall. See "*Plan of Distribution*".

On the Closing Date, a total of 31,600,000 Subscription Receipts were registered in the name of "CDS & Co." and were deposited with CDS Clearing and Depository Services Inc. ("**CDS**") as electronic non-certificated inventory positions (the "**Non-Certificated Positions**"). No physical certificates representing Subscription Receipts were issued to purchasers. Upon the automatic conversion of the Subscription Receipts, the Common Shares will be issued as electronic non-certificated inventory positions registered and deposited with CDS or its nominee, and purchasers will receive only a customer confirmation from an Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Subscription Receipts was originally acquired, subject to certain limited exceptions, including issuances of Common Shares to certain persons in the United States who are "accredited investors" (as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act), which will be issued in certificated form. See "*Plan of Distribution*".

**Investors should rely only on the information contained or incorporated by reference in the Prospectus Supplement and the Shelf Prospectus. The Company has not authorized anyone to provide prospective investors with information different from that contained or incorporated by reference in this Prospectus Supplement and the Shelf Prospectus. The information contained in this Prospectus Supplement and the Shelf Prospectus is accurate only as of the date hereof, regardless of the time of delivery of this Prospectus Supplement or distribution of Common Shares underlying the Subscription Receipts.**

**An investment in securities of the Company is highly speculative and subject to a number of risks. Investors who will hold Common Shares upon automatic conversion of the Subscription Receipts**

should review this Prospectus Supplement, together with the accompanying Shelf Prospectus, in their entirety and carefully consider the risk factors described under "Risk Factors" and the risks identified in the documents incorporated by reference herein.

The financial statements of the Company incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of securities of the Company. See "*Certain Canadian Federal Income Tax Consequences*".

No Canadian securities regulator has approved or disapproved of the securities offered hereby, passed upon the accuracy or adequacy of this Prospectus Supplement or the accompanying Shelf Prospectus or determined if this Prospectus Supplement and the accompanying Shelf Prospectus are truthful or complete. Any representation to the contrary is a criminal offence.

The Company's head office is located at 12 – 21 Highfield Circle South East, Calgary, Alberta T2G 5N6, and registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8.

The directors and officers of the Company named below, each of whom reside outside of Canada, have appointed the following agent for service of process in Canada:

Names of Persons	Name and Address of Agent
Sue Ozdemir Terence Bryce Johnsson Rodney Copes Aleksandra Miziolek Frank Simpkins Anita Ganti	152928 Canada Inc. c/o Stikeman Elliott LLP Suite 1700, 666 Burrard Street Vancouver, BC V6C 2X8

Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

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## ABOUT THIS PROSPECTUS

Unless otherwise specified or the context otherwise requires, all references in this Prospectus Supplement to "we", "us", "our" or similar terms, as well as references to "Exro" or the "Company", refer to Exro Technologies Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by them.

This document is in two parts. The first part is the Prospectus Supplement, which describes the terms of the securities of the Company issued pursuant to the Offering and adds to and updates information contained in the accompanying Shelf Prospectus and the documents incorporated by reference therein. The second part is the Shelf Prospectus, which gives more general information, some of which may not apply to the Offering. This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Shelf Prospectus solely for the purpose of this Offering. You should read this Prospectus Supplement along with the accompanying Shelf Prospectus. If the information varies between this Prospectus Supplement and the accompanying Shelf Prospectus, the information in this Prospectus Supplement supersedes the information in the accompanying Shelf Prospectus.

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Shelf Prospectus. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell or seeking an offer to buy the securities offered pursuant to this Prospectus Supplement and the accompanying Shelf Prospectus in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this Prospectus Supplement and the accompanying Shelf Prospectus is accurate only as of the date on the front of those documents and that information contained in any document incorporated by reference is accurate only as of the date of that document, regardless of the time of delivery of this Prospectus Supplement and the accompanying Shelf Prospectus or of any sale of our securities pursuant thereto. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this Prospectus Supplement and the accompanying Shelf Prospectus, unless otherwise indicated, all dollar amounts referenced are expressed in Canadian dollars. References to "\$" are to Canadian dollars and references to "US\$" are to United States dollars. See "*Currency and Exchange Rate Information*".

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the documents incorporated by reference herein contain certain "forward-looking information", "forward-looking statements" or "future-oriented financial information" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of fact. This Prospectus Supplement also contains forward-looking statements about the Company's projected revenue after completion of the Acquisition (as defined herein) and which is based on assumptions about the closing of the Acquisition, future economic conditions, courses of action and additional assumptions listed below. The forward-looking statements contained in this Prospectus Supplement are made as of the date of this Prospectus Supplement, and the forward-looking statements contained in the documents incorporated by reference herein and made as of the date of each such document.

The future-orientated financial information included in this Prospectus Supplement has been prepared by, and is the responsibility of, the Company's management. PricewaterhouseCoopers LLP or BDO USA, P.C. has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the accompanying future-orientated financial information and, accordingly, PricewaterhouseCoopers LLP or BDO USA, P.C. do not express an opinion or any other form of assurance with respect thereto. The reports

of PricewaterhouseCoopers LLP and BDO USA, P.C. included or incorporated by reference in this Prospectus Supplement refer exclusively to the historical financial statements described therein in respect of Exro and SEA, respectively, and do not extend to the prospective or pro forma financial information included in this Prospectus Supplement and should not be read to do so.

Specific statements contained in or incorporated by reference in this Prospectus Supplement or the accompanying Shelf Prospectus that constitute forward-looking statements include, but are not limited to statements with respect to:

- the satisfaction of the Escrow Release Conditions in accordance with the Subscription Receipt Agreement;
- the issuance of the Common Shares upon conversion of the Subscription Receipts
- the release of the Escrowed Funds in accordance with the Subscription Receipt Agreement;
- the anticipated implied consideration issued to the SEA Stockholders (as defined herein);
- the anticipated pro forma SEA Stockholder ownership of Exro;
- the anticipated timing and closing of the Acquisition;
- the anticipated benefits of the Acquisition, including the impact of the Acquisition on the Company's operations, financial condition, cash flows and overall strategy;
- the implementation of operational improvements and cost savings initiatives following the completion of the Acquisition;
- the intended use of the net proceeds of the Offering;
- the impact and expected benefits of, and the financial and operational results from, the Definitive Commercialization Agreement (as defined herein);
- the Company's existing investments, statements or information concerning the Company's growth, acquisition and investment strategy;
- the forecasted revenue of Company after completion of the Acquisition; and
- the proposed listing of the Company's Common Shares on the Nasdaq Stock Market LLC and the Company's future performance and business prospects and opportunities.

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

- the ability of the Company to satisfy the Escrow Release Conditions in accordance with the Subscription Receipt Agreement;

- the ability of the Company to satisfy of all conditions to closing the Acquisition, in each case, on the timeframes contemplated;
- the successful completion of the Acquisition and the Company's ability to obtain the anticipated benefits therefrom;
- the accuracy of historical and forward-looking operational and financial information and estimates provided by SEA;
- the Company's ability to integrate the assets acquired pursuant to the Acquisition into the Company's operations;
- the accuracy of financial and operational projections of the Company following completion of the Acquisition;
- the anticipated effect of the Acquisition on the consolidated capitalization of the Company following the satisfaction of the Escrow Release Conditions;
- our ability to attract and retain strategic partners;
- our ability to generate product sales and service revenue;
- our ability to protect, maintain and enforce intangible property rights;
- our ability to deliver our technology and services at expected volumes for expected prices;
- our ability to control costs;
- ability to attract and retain skilled personnel;
- market demand for our technology;
- competitive position and expectations regarding competition;
- plans regarding our revenue, expenses and operations;
- the successful execution of our business plan;
- the ability to commercialize the Company's technology;
- achievement of current timetables for research and development programs and sales;
- the availability and cost of raw materials, labour and supplies;
- our anticipated cash needs and our need for additional financing;
- the availability of additional capital;
- currency, exchange and interest rates;
- anticipated trends and challenges in our business and the markets in which we operate;
- global economic and financial market condition;



- order volumes under the Definitive Commercialization Agreement will materialize as planned;
- no significant delay in sourcing the required capital equipment to support the Definitive Commercialization Agreement; and
- no difficulties and/or delays in the setting up and commissioning of capital equipment, resulting in our inability to deliver products under the Definitive Commercialization Agreement.

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

- the Escrow Release Conditions may not be satisfied in accordance with the Subscription Receipt Agreement;
- failure to complete the Acquisition 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 Acquisition;
- failure to realize the anticipated benefits of the Acquisition;
- unforeseen difficulties in integrating the assets acquired pursuant to the Acquisition into the Company's operations;
- unexpected costs or liabilities related to the Acquisition;
- the inaccuracy of information provided by SEA in respect of the Acquisition;
- the inaccuracy of financial and operational projections;
- the inaccuracy of pro forma information with respect to the Company's business, financial condition, cash flows and operations after giving effect to the Acquisition and/or the Offering;
- risks associated with re-contracting;
- increased litigation or negative public perception as a result of the Acquisition;
- increased indebtedness;
- the anticipated effect of the Acquisition on the consolidated capitalization of the Company following the completion of the Acquisition;
- increased exposure to risks relating to foreign exchange rates;
- the condition of the global economy, including trade, public health and other geopolitical risks;

- our technology may not prove useful in some of the applications in which the Company envisages it being applied;
- the rate of mass adoption of products using our technology;
- changes in technology or service pricing or cost;
- changes in our customers' and partners' requirements, the competitive environment and/or related market conditions;
- the relative strength of the value proposition that we offer our customers and partners with our technology and services;
- changes in the technology of our customers and partners, as well as changes in competitive technologies;
- challenges or delays in our 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 the Company may carry on business;
- business opportunities that may be presented to, or pursued by the Company;
- 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;
- the Company may never pay any dividends;
- changes in the availability or price of raw materials, labour and supplies;
- our 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 our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan;
- we are subject to risks inherent in international operations;

- our access to funding and our ability to provide the capital required for research and development, operations, marketing efforts and working capital requirements;
- our ability to protect our intellectual property;
- our ability to extract value from strategic partnerships;
- currency fluctuations, including the magnitude of the rate of change of the Canadian dollar versus the United States dollar;
- potential merger and acquisition activities, including risks related to integration, loss of key personnel, disruptions to operations, costs of integration, and the integration failing to achieve the expected benefits of the transaction; and
- those risks discussed under the heading "*Risk Factors*" commencing on page 19 of the AIF (as defined herein).

These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully by prospective purchasers of Common Shares. More detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations can be found under the heading "*Risk Factors*" commencing on page 19 of the AIF.

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

**We qualify all the forward-looking statements contained in this Prospectus Supplement and the documents incorporated by reference herein and therein by the foregoing cautionary statements.**

## **PRESENTATION OF FINANCIAL INFORMATION**

Exro presents its financial statements in Canadian dollars and its financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. Unless otherwise indicated in this Prospectus Supplement, all financial information of SEA included in this Prospectus Supplement is reported in U.S. dollars and has been derived from audited and unaudited historical financial statements of SEA that were prepared in accordance with accounting principles generally accepted in the United States ("**U.S. GAAP**"). The recognition, measurement and disclosure requirements of U.S. GAAP differ from IFRS. Certain calculations included in tables and other figures in this Prospectus Supplement and the accompanying Shelf Prospectus have been rounded for clarity of presentation.

## **CAUTIONARY NOTE REGARDING PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION**

This Prospectus Supplement contains the unaudited pro forma condensed combined consolidated financial information of Exro, comprised of the pro forma condensed combined consolidated balance sheet of Exro as at September 30, 2023 and the pro forma condensed combined consolidated statement of comprehensive loss of Exro for the year ended December 31, 2022 and the nine months ended September 30, 2023, together with the notes thereto, giving effect to the Acquisition and the Offering (the "**Exro Pro**

**Forma Financial Information**"). The Exro Pro Forma Financial Information has been prepared in accordance with IFRS, using Exro's and SEA's respective historical financial statements as described in the notes to the Exro Pro Forma Financial Information. Exro has not independently verified the financial statements of SEA that were used to prepare the Exro Pro Forma Financial Information or that are included in this Prospectus Supplement. The Exro Pro Forma Financial Information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded following closing of the Acquisition may differ from the amounts reflected in the Exro Pro Forma Financial Information. Since the Exro Pro Forma Financial Information has been developed to retroactively show the effect of a transaction that has or is expected to occur at a later date, there are limitations inherent in the very nature of pro forma financial information and data. The Exro Pro Forma Financial Information contained in this Prospectus Supplement is included for informational purposes only and undue reliance should not be placed on the Exro Pro Forma Financial Information. See "Forward-Looking Information" and "Risk Factors".

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Shelf Prospectus solely for the purposes of this Offering.** Information has been incorporated by reference in this Prospectus Supplement and the accompanying Shelf Prospectus from documents filed by us with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Exro at 1000 – 355 Burrard Street, Vancouver, BC V6C 2G8, Phone: +1 604 674-7746 and are also available electronically under the Exro Technologies Inc. profile at [www.sedarplus.com](http://www.sedarplus.com). As of the date of this Prospectus Supplement, our disclosure documents listed below and filed with the appropriate securities commissions or similar regulatory authorities in each of the provinces of Canada, other than Quebec, are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the accompanying Shelf Prospectus:

- (a) Our annual information form dated March 30, 2023 for the fiscal year ended December 31, 2022 (the "**AIF**");
- (b) Our audited annual consolidated financial statements as at and for the fiscal years ended December 31, 2022, and December 31, 2021, together with the notes thereto and the independent auditors' report thereon;
- (c) Our management's discussion and analysis for the fiscal year ended December 31, 2022;
- (d) Our unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2023, together with the notes thereto (the "**Interim Financial Statements**");
- (e) Our management's discussion and analysis for the three and nine months ended September 30, 2023 (the "**Interim MD&A**");
- (f) Our management information circular dated May 24, 2022, prepared in connection with the annual meeting of the shareholders of the Company held on June 30, 2022;
- (g) Our material change report dated May 29, 2023 regarding the closing of the Company's brokered public offering of 15,525,000 Common Shares at a price of \$2.25 per Common Share for aggregate gross proceeds of \$34,931,250;
- (h) Our material change report dated January 30, 2024 regarding the entering into of the Merger Agreement and the announcement of the Offering; and
- (i) Our material change report dated February 29, 2024 regarding the closing of the Offering.

Any document of the type referred to above, any annual information form, annual or quarterly financial statements, annual or quarterly management's discussion and analysis, management information circular, material change report (excluding confidential material change reports), business acquisition report or other disclosure documents required to be incorporated by reference into a prospectus filed under National Instrument 44-101 – *Short Form Prospectus Distributions* filed by Exro with the securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the completion or termination of the Offering shall be deemed incorporated by reference into this Prospectus Supplement for the purposes of the Offering. Documents referenced in any of the documents incorporated by reference in this Prospectus Supplement but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or in this Prospectus Supplement are not incorporated by reference in this Prospectus Supplement.

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

#### **MARKETING MATERIALS**

Any "marketing materials" (as defined in National Instrument 41-101 – *General Prospectus Requirements* ("NI 41-101")) are not part of this Prospectus Supplement and the accompanying Shelf Prospectus to the extent that the contents of any marketing materials have been modified or superseded by a statement contained in this Prospectus Supplement or any amendment. Any "template version" (as defined in NI 41-101) of marketing materials filed with the securities commission or similar authority in each of the Qualifying Jurisdictions in connection with the Offering after the date hereof but prior to the termination of the distribution of the Common Shares underlying the Subscription Receipts under this Prospectus Supplement (including any amendments to, or an amended version of, any marketing materials) is deemed to be incorporated by reference herein.

#### **CURRENCY AND EXCHANGE RATE INFORMATION**

This Prospectus Supplement and the accompanying Shelf Prospectus, and documents incorporated by reference herein and therein, contain references to Canadian and United States dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. References to "\$" are to Canadian dollars and references to "US\$" are to United States dollars. The following table shows, for the years and dates indicated, certain information regarding the Canadian dollar/United States dollar exchange rate. The information is based on the daily average exchange rate as reported by the Bank of Canada.

Such exchange rate on March 5, 2024 was US\$1.00 = \$1.3582 or \$1.00 = US\$0.7363.

	<u>Period End</u>	<u>Average<sup>(1)</sup></u>	<u>Low</u>	<u>High</u>
	(\$ per US\$1.00)			
<b>Year ended December 31,</b>				
2022.....	\$1.3544	\$1.3011	\$1.2451	\$1.3856
2021.....	\$1.2678	\$1.2535	\$1.2040	\$1.2942
<b>Nine Months ended September 30,</b>				
2023.....	\$1.3591	\$1.3461	\$1.3128	\$1.3807
2022.....	\$1.3707	\$1.2828	\$1.2451	\$1.3726

Note:

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

## USE OF PROCEEDS

The Company raised gross proceeds of \$30,020,000 from the sale of the Subscription Receipts pursuant to the Offering. In accordance with the terms of the Subscription Receipt Agreement, the Escrowed Proceeds (being approximately \$29.7 million) were deposited into escrow with Odyssey Trust pending satisfaction of the Escrow Release Conditions. As of the date of this Prospectus Supplement, the Escrowed Funds have not been released from escrow and, as such, the Company has not spent any of the net proceeds of the Offering.

Assuming the satisfaction of the Escrow Release Conditions and the release of the Escrowed Funds, the net proceeds to the Company from the Offering are estimated to be approximately \$27.76 million after deducting the Underwriters' Fee and the Escrow Release Underwriters' Expenses. The Company will not receive any additional cash proceeds under the Offering upon the automatic conversion of the Subscription Receipts.

### Principal Purposes

The Company currently intends, subject to discretion to change such allocation after the date of this Prospectus Supplement, to use the net proceeds from the Offering as follows:

<u>Activity or Nature of Expenditure</u>	<u>Estimated Use of Net Proceeds</u>
Convertible debt repayment	\$14,950,000
Transaction and integration costs	\$7,330,000
Working capital and general corporate purposes	\$5,479,519
<b>Total Net Proceeds.....</b>	<b>\$27,759,519</b>

The Company expects to use the net proceeds from the Offering to pay approximately \$7,330,000 of transaction costs incurred in connection with the Acquisition.

The Company expects to use the net proceeds from the Offering to make an offer to repay Exro's outstanding convertible debt of \$14,950,000. It is not known whether the repayment offer will be accepted, and any debentures not repaid will increase the available funds to satisfy working capital and general corporate purposes.

The Company intends to allocate \$5,479,519 of the net proceeds from the Offering to working capital and general corporate purposes. Working capital is expected to relate to procurement of components required for production of SEA-Drive® propulsion technology and continued development and production of Exro's proprietary Coil Driver™. General corporate expenses consist of salaries and wages for Exro's executives, accounting and administrative staff, and regulatory fees and professional fees such as consulting, legal and audit fees, as well as other office expenses.

Although the Company intends to expend the net proceeds from the Offering as set forth above, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary and may vary materially from that set forth above. See "Risk Factors".

Pending their use, we may hold the net proceeds from the Offering in cash balances in the Company's bank account or invest funds which we do not immediately use at the discretion of the board of directors of the Company. Such investments may include short-term marketable investment grade securities denominated in Canadian dollars, United States dollars or other currencies.

Since inception, we have incurred operating losses and negative operating cash flow. To the extent that we have negative operating cash flows in future periods, we may need to deploy a portion of the net proceeds from the Offering or existing working capital to fund such negative cash flow. See heading "Risk Factors."

### PRIOR SALES

Other than as described below, during the 12 months preceding the date of this Prospectus Supplement, there were no issuances of Common Shares:

Date Issued	No. of Securities Issued	Securities Issued	Transaction Type	Price (\$)
March 6, 2023	50,000	Common Shares	Warrant Exercise	1.60
March 9, 2023	3,300	Common Shares	Option Exercise	1.47
March 9, 2023	50,000	Common Shares	Warrant Exercise	1.36
March 9, 2023	59,258	Common Shares	Warrant Exercise	1.60
March 23, 2023	15,000	Common Shares	Option Exercise	1.00
March 23, 2023	1,650	Common Shares	Option Exercise	1.05
March 30, 2023	50,000	Common Shares	Warrant Exercise	1.36
March 31, 2023	3,000	Common Shares	Warrant Exercise	1.36
April 4, 2023	10,000	Common Shares	Warrant Exercise	1.36
April 5, 2023	50,339	Common Shares	Warrant Exercise	1.60
April 10, 2023	5,000	Common Shares	Warrant Exercise	1.36
April 12, 2023	11,600	Common Shares	Option Exercise	1.47
April 13, 2023	40,000	Common Shares	Warrant Exercise	1.36
April 17, 2023	1,650	Common Shares	Option Exercise	1.05
April 18, 2023	19,800	Common Shares	Option Exercise	1.47
April 19, 2023	25,000	Common Shares	Warrant Exercise	1.36
April 20, 2023	660	Common Shares	Option Exercise	1.05
April 21, 2023	30,000	Common Shares	Warrant Exercise	1.36
April 28, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 1, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 5, 2023	20,000	Common Shares	Warrant Exercise	1.36
May 8, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 9, 2023	45,000	Common Shares	Warrant Exercise	1.36
May 11, 2023	20,000	Common Shares	Warrant Exercise	1.36
May 12, 2023	1,650	Common Shares	Option Exercise	1.47
May 12, 2023	10,000	Common Shares	Warrant Exercise	1.36
May 12, 2023	90,000	Common Shares	Warrant Exercise	2.00
May 15, 2023	15,000	Common Shares	Warrant Exercise	1.36
May 16, 2023	27,000	Common Shares	Warrant Exercise	1.36
May 17, 2023	20,000	Common Shares	Warrant Exercise	1.36
May 23, 2023	15,525,000	Common Shares	Common Shares	2.25
June 8, 2023	75,000	Common Shares	Option Exercise	1.00
June 8, 2023	3,000	Common Shares	Warrant Exercise	1.36
June 12, 2023	3,300	Common Shares	Option Exercise	1.05
June 14, 2023	30,000	Common Shares	Warrant Exercise	1.36
June 14, 2023	25,000	Common Shares	Warrant Exercise	1.36
June 19, 2023	2,000	Common Shares	Warrant Exercise	1.36
June 22, 2023	25,000	Common Shares	Option Exercise	1.00
June 26, 2023	100,000	Common Shares	Option Exercise	0.41

Date Issued	No. of Securities Issued	Securities Issued	Transaction Type	Price (\$)
June 28, 2023	100,000	Common Shares	Option Exercise	0.41
June 30, 2023	342,535	Common Shares	Interest Payment	2.13
June 30, 2023	14,084	Common Shares	Interest Payment	2.13
June 30, 2023	704	Common Shares	Interest Payment	2.13
June 30, 2023	22,957	Common Shares	Interest Payment	2.13
June 30, 2023	42,253	Common Shares	Shares for Debt	2.13
July 11, 2023	20,000	Common Shares	Warrant Exercise	1.36
July 14, 2023	6,600	Common Shares	Option Exercise	1.47
July 25, 2023	2,000	Common Shares	Warrant Exercise	1.36
August 3, 2023	10,000	Common Shares	Warrant Exercise	1.36
August 9, 2023	5,700	Common Shares	Warrant Exercise	1.36
August 14, 2023	660	Common Shares	Option Exercise	1.05
August 29, 2023	30,000	Common Shares	Warrant Exercise	1.36
August 30, 2023	50,000	Common Shares	Warrant Exercise	1.36
August 30, 2023	50,000	Common Shares	Warrant Exercise	1.36
September 8, 2023	50,000	Common Shares	Option Exercise	1.00
September 11, 2023	11,500	Common Shares	Option Exercise	1.00
September 12, 2023	1,700	Common Shares	Option Exercise	1.05
September 12, 2023	20,833	Common Shares	Convertible Debenture	2.40
September 15, 2023	33,500	Common Shares	Option Exercise	1.00
September 27, 2023	10,000	Common Shares	Option Exercise	0.38
September 28, 2023	8,600	Common Shares	Option Exercise	0.38
September 29, 2023	11,400	Common Shares	Option Exercise	0.38
October 3, 2023	3,300	Common Shares	Option Exercise	1.05
October 3, 2023	70,754	Common Shares	RSU Issuance	1.98
October 3, 2023	23,349	Common Shares	RSU Issuance	1.98
October 3, 2023	23,349	Common Shares	RSU Issuance	1.98
October 3, 2023	10,000	Common Shares	Option Exercise	0.38
October 4, 2023	15,400	Common Shares	Option Exercise	0.38
October 5, 2023	14,600	Common Shares	Option Exercise	0.38
October 6, 2023	10,000	Common Shares	Option Exercise	0.38
October 10, 2023	10,000	Common Shares	Option Exercise	0.38
October 10, 2023	1,320	Common Shares	Option Exercise	1.05
October 11, 2023	40,000	Common Shares	Option Exercise	0.38
October 11, 2023	20,000	Common Shares	Option Exercise	1.00
October 11, 2023	20,000	Common Shares	Option Exercise	0.38
October 11, 2023	50,000	Common Shares	Option Exercise	0.41
October 12, 2023	10,000	Common Shares	Option Exercise	0.38
October 13, 2023	10,000	Common Shares	Option Exercise	0.38
October 16, 2023	10,000	Common Shares	Option Exercise	0.38
October 18, 2023	10,000	Common Shares	Option Exercise	0.38
October 23, 2023	10,000	Common Shares	Option Exercise	0.38
October 24, 2023	10,000	Common Shares	Option Exercise	0.38
October 25, 2023	4,200	Common Shares	Option Exercise	0.38
October 26, 2023	5,800	Common Shares	Option Exercise	0.38
October 27, 2023	10,000	Common Shares	Option Exercise	0.38
December 31, 2023	60,908	Common Shares	Interest Payment	1.32
December 31, 2023	618,636	Common Shares	Interest Payment	1.32
February 9, 2024	100,000	Common Shares	Option Exercise	0.41

Other than as described below, during the 12 months preceding the date of this Prospectus Supplement, there were no issuances of securities that are convertible into Common Shares:

Date Issued	Number of Securities	Type of Security	Exercise Price
March 10, 2023	399,500	Options	\$2.51
May 31, 2023	1,600,000	Options	\$2.12
May 31, 2023	754,375	Performance Share Units	N/A



<b>Date Issued</b>	<b>Number of Securities</b>	<b>Type of Security</b>	<b>Exercise Price</b>
May 31, 2023	212,262	Restricted Share Units	N/A
July 4, 2023	819,500	Options	\$2.15
October 17, 2023	150,000	Restricted Share Units	N/A
February 16, 2024	31,600,000	Subscription Receipts	N/A

### TRADING PRICES AND VOLUMES

The following tables set forth trading information for the Common Shares on the TSX for the 12 month period prior to the date of this Prospectus Supplement.

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
March 2023	\$2.80	\$2.19	6,041,004
April 2023	\$2.91	\$2.41	4,004,900
May 2023	\$2.69	\$2.05	7,939,300
June 2023	\$2.28	\$1.99	4,029,500
July 2023	\$2.55	\$2.09	3,796,400
August 2023	\$2.28	\$1.91	3,354,600
September 2023	\$2.45	\$2.00	3,315,200
October 2023	\$2.25	\$1.50	4,006,700
November 2023	\$1.93	\$1.33	4,331,500
December 2023	\$1.51	\$1.16	3,901,700
January 2024	\$1.34	\$0.88	4,805,000
February 2024	\$0.96	\$0.76	3,891,500
March 2024*	\$0.86	\$0.73	572,700

\*Covers the period from March 1, 2024 to March 5, 2024 inclusive

### THE COMPANY

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

For further information respecting the Company and its business, please refer to pages 2 through 19 of the AIF and pages 1 through 10 of the MD&A.

### THE ACQUISITION

#### The Acquisition

On January 29, 2024, Exro entered into the Merger Agreement with SEA and eTruck VCU Acquisition Inc., an indirect wholly-owned subsidiary of Exro ("**Merger Sub**"), which provides for the indirect acquisition of SEA by Exro. Under the Merger Agreement, Merger Sub will merge with and into SEA and SEA shall continue its corporate existence under Delaware law as the surviving corporation in the merger and will be an indirect wholly-owned subsidiary of Exro. Under the Merger Agreement, at the time the Acquisition becomes effective (the "**Effective Time**"), each share of common stock of SEA ("**SEA Common Stock**") and each share of preferred stock of SEA ("**SEA Preferred Stock**", and together with SEA Common Stock, "**SEA Stock**"), other than certain shares of SEA Stock excluded under the terms of the Merger Agreement, will be converted automatically into (i) the number of Common Shares equal to the product of (A) 65.9629

(the "**Exchange Ratio**") and (B) 0.47698, and (ii) the number of Series 1 preferred shares in the capital of Exro ("**Convertible Preferred Shares**") equal to the product of (A) the Exchange Ratio and (B) 0.52302 (collectively, the "**Merger Consideration**").

Based on the terms of the Merger Agreement, Exro expects to issue up to approximately 153.8 million Common Shares and 168.7 million Convertible Preferred Shares to holders of SEA Stock, excluding Exro ("**SEA Stockholders**"), at the Effective Time, resulting in total implied consideration issued to such SEA Stockholders of approximately \$332 million in aggregate based on the volume weighted average trading price of the Common Shares on TSX over the 10 trading days ended January 26, 2024, the last trading day before the date of the announcement of the Acquisition. The implied value of the Merger Consideration will fluctuate, as the market price of the Common Shares fluctuates, because the Merger Consideration that is payable per share of SEA Stock is a fixed fraction of a Common Share and a Convertible Preferred Share. As a result, the value of the Merger Consideration that SEA Stockholders will receive upon the closing of the Acquisition (the "**Acquisition Closing**") could be greater than, less than, or the same as the value of the Merger Consideration as at the date of this Prospectus Supplement.

Under the terms of the Merger Agreement, immediately following the closing of the Acquisition and prior to any conversion of Convertible Preferred Shares into Common Shares, current holders of Common Shares are expected to own approximately 53.7% of the issued and outstanding Common Shares and current SEA Stockholders are expected to own approximately 46.3% of the issued and outstanding Common Shares on a fully diluted basis.

The actual number of Common Shares to be issued under the Merger Agreement will be determined immediately prior to the Effective Time based on the Exchange Ratio and the number of shares of SEA Common Stock and Common Shares outstanding.

In accordance with IFRS, the Acquisition will be accounted for as a business combination applying the acquisition method of accounting and Exro will be considered the accounting acquirer under the Acquisition.

#### *Business of SEA*

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 which 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 deployed products in Australia and New Zealand and since 2021 SEA has been selling its SEA-Drive® power-system in the U.S. SEA has also deployed a small number of products with the SEA-Drive® power-system in Canada, Thailand, Indonesia, India and South Africa to test market acceptance. In the fiscal year ended June 30, 2023 and the fiscal year ended June 30, 2022, revenue at SEA was \$17.1 million and \$6.9 million, respectively. In fiscal year 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**").

Please also refer to "*Schedule "A" – Information Concerning SEA*" below.

## Acquisition Rationale

The Acquisition aims to accelerate and modernize electrification of Exro's product offering with SEA's patented technology platform. SEA produces the SEA-Drive® propulsion technology that controls all of the components that electrify a vehicle. When integrated with the Exro Coil Driver™, the complementary technologies are expected to provide an end-to-end solution with enhanced performance and improved TCO for commercial vehicles. SEA's technology has been utilized by large blue chip OEM customers with multi-year commitments from Mack and Hino (Toyota). Together, Exro and SEA target delivery of more than 1,000 propulsion technology systems in 2024, with aggregate revenues forecasted to be more than \$200 million for calendar year 2024.<sup>1</sup>

The Acquisition is expected to bring Exro's next generation technology to the full spectrum of e-mobility platforms including passenger vehicles to large commercial trucks. Together, Exro and SEA aim to secure a strong order book while maintaining a continued focus on disruptive innovation with progressive electric motor and battery control technologies backed by more than 60 patents and patent applications.

## Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Information

The following table sets forth Exro's selected pro forma condensed consolidated financial information (i) for the year ended December 31, 2022, and (ii) for the nine months ended September 30, 2023, in each case after giving effect to the Acquisition, the release of the Escrowed Funds in accordance with the Subscription Receipt Agreement and the assumptions as described in the Exro Pro Forma Financial Information. These tables should be read in conjunction with the Exro Pro Forma Financial Information included in this Prospectus Supplement.

The unaudited pro forma condensed consolidated financial information set forth below and the Exro Pro Forma Financial Information included in this Prospectus Supplement is not necessarily indicative of results of operations that would have occurred in the year ended December 31, 2022 or the nine months ended September 30, 2023 had the Acquisition or the release of the Escrowed Funds taken place prior to such periods, nor is it necessarily indicative of operations expected in 2024 and future years.

	<b>Year ended December 31, 2022</b>		
	<b>(Canadian dollars in thousands, except per share amounts)</b>		
	<b>Exro</b>	<b>SEA<sup>(1)</sup></b>	<b>Pro Forma Consolidated</b>
Revenue	2,185,448	20,530,739	22,716,187
Cost of sales	1,900,688	33,661,760	35,562,448
Net loss	(40,024,912)	(56,386,259)	(121,031,003)
Loss per share - basic and diluted	(0.29)		(0.26)

Note:

- (1) Column was derived from the audited statement of comprehensive income of SEA for the year ended June 30, 2022, adjusted to exclude amounts from the historical unaudited statement of comprehensive income of SEA for the six months ended December 31, 2021, and to include amounts from the historical unaudited statement of comprehensive income of SEA for the six months ended December 31, 2022, each of which were prepared in U.S. dollars. The exchange rate used to translate the U.S. dollar amounts is the average exchange rate for the year ended December 31, 2022, of \$1.3011 for US\$1.00.

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

**Nine months ended September 30, 2023**  
(Canadian dollars in thousands, except per share amounts)

	Exro	SEA <sup>(1)</sup>	Pro Forma Consolidated
Revenue	4,800,730	12,003,243	16,803,973
Cost of sales	2,508,252	13,562,736	16,070,988
Net loss	(31,853,624)	(37,556,572)	(90,769,791)
Loss per share - basic and diluted	(0.20)		(0.19)

Note:

- (1) Column was derived from the audited statement of comprehensive income of SEA for the year ended June 30, 2023, adjusted to exclude amounts from the historical unaudited statement of comprehensive income of SEA for the six months ended December 31, 2022, and to include amounts from the historical unaudited statement of comprehensive income of SEA for the three months ended September 30, 2023, each of which were prepared in U.S. dollars. The exchange rate used to translate the U.S. dollar amounts is the average exchange rate for the nine months ended September 30, 2023, of \$1.3461 for US\$1.00.

## The Merger Agreement

On January 29, 2024, Exro, Merger Sub and SEA entered into the Merger Agreement, pursuant to which Exro will indirectly acquire 100% of the SEA Stock in consideration for the issuance of the Merger Consideration.

The Merger Agreement contains covenants, representations and warranties of and from each of the parties and various conditions precedent, both mutual and will respect to Exro and Merger Sub, on the one hand, and SEA, on the other hand. Unless all such conditions are satisfied or waived by the party for whose benefit such condition exists, to the extent they may be capable of waiver, the Acquisition will not proceed as proposed, or at all. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. See "*Risk Factors – Risks Relating to the Acquisition*".

The following is a description of certain provisions of the Merger Agreement and does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is available on Exro's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). Readers are encouraged to read the Merger Agreement in its entirety.

In reviewing the Merger Agreement and this summary, readers are advised that this summary has been included to provide readers with information regarding the key terms of the Merger Agreement and is not intended to provide any other factual information about Exro, Merger Sub and SEA or any of their respective subsidiaries or affiliates. The Merger Agreement contains representations and warranties and covenants by each of the parties, which are summarized below. These representations and warranties have been made solely for the benefit of the other parties and: (i) are not intended as statements of fact to readers, but rather, as a means of allocating risks between the parties if those statements prove to be inaccurate, in certain circumstances subject to materiality; (ii) have been qualified by certain confidential disclosures that were made to the other parties in connection with the negotiation of the Merger Agreement, which disclosures are not reflected in the Merger Agreement; and (iii) may apply standards of materiality that are different from what may be viewed as material by readers.

### *Representations and Warranties*

The Merger Agreement contains certain customary representations and warranties made by SEA, Exro and Merger Sub related to, among other things: (i) due organization; (ii) capitalization; (iii) corporate power and authority; (iv) required consents and approvals; (v) absence of conflicts; (vi) absence of certain governmental consents; (vii) required stockholder/shareholder approvals; (viii) financial statements; (ix) no undisclosed liabilities; (x) absence of misrepresentations; (xi) absence of material adverse effects; (xii) absence of litigation; (xiii) compliance with laws; (xiv) employment and labor matters; (xv) employee benefits matters; (xvi) tax matters; (xvii) material contracts; (xviii) insurance; (xix) intellectual property, information technology and data privacy matters; (xx) inapplicability of certain securities laws; (xxi) related party

transactions; (xxii) illegal or unlawful payments; (xxiii) customers and suppliers; (xxiv) trade controls; and (xxv) absence of brokers entitled to brokers' fees.

The Merger Agreement also contains certain representations and warranties made by SEA related to, among other things: (i) valid title to assets; (ii) absence of ownership of real property; (iii) matters related to leased properties; and (iv) no brokers' fees.

The Merger Agreement also contains representations and warranties made by Exro related to, among other things: (i) compliance with filing requirements of Canadian securities commissions and TSX; (ii) controls and procedures over financial reporting; (iii) absence of a material adverse effect with respect to Exro; (iv) no undisclosed material real property and title to owned real property; (v) absence of brokers entitled to brokers' fees other than National Bank Financial Inc. and the Underwriters; (vi) receipt of the fairness opinion of National Bank Financial Inc.; (vii) formation of Merger Sub; (viii) financing matters; and (ix) absence of resale restrictions with respect to the Common Shares and Convertible Preferred Shares being issued pursuant to the Merger Agreement.

### *Covenants of the Parties*

In the Merger Agreement, each of the parties have agreed to certain covenants. Except as otherwise consented to in writing in advance by Exro or SEA, as applicable, or as otherwise specified in the Merger Agreement, Exro and SEA have agreed to carry on their respective businesses in the ordinary course of business during the period from the date of the Merger Agreement to the Effective Time and have agreed not to take certain actions during such period, including, among other things, declaring or paying any dividends or distributions, issuing certain debt or equity securities, amending or proposing to amend its organizational documents, acquiring any business organization, disposing of assets, entering into certain liquidation or restructuring transactions, incurring any indebtedness, making certain commitments for capital expenditures over stated amounts, paying or settling certain rights and claims, entering into or amending certain material contracts, commencing certain actions, changing its accounting methods, settling or compromising certain tax liabilities, changing its financial year, adopting certain changes to the compensation, benefits or severance of certain directors, officers or employees, hiring executive employees, terminating any employees, failing to maintain insurance policies or entering into any new line of business.

The Merger Agreement also requires each of Exro, Merger Sub and SEA to use commercially reasonable efforts to take, or cause to be taken, all actions that are necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by the Merger Agreement.

### *Closing Conditions*

The Acquisition Closing is subject to, *inter alia*, the satisfaction or waiver at or prior to the Acquisition Closing of the following mutual conditions: (i) receipt of the necessary SEA stockholder and Exro shareholder approvals; (ii) the expiration of any waiting period under applicable law; (iii) the absence of any injunction, judgment, order or decree prohibiting or making illegal the consummation of the Acquisition; (iv) the Common Shares issuable to SEA Stockholders having been approved for listing on the TSX; (v) the absence of any pending or threatened action by certain governmental entities seeking to challenge, make illegal or otherwise prohibit or materially delay the consummation of the Acquisition; and (vi) Exro having provided evidence satisfactory to SEA that Exro has, or is the sole beneficiary of an escrow holding, cash and cash equivalents of at least \$30,000,000 immediately prior to the Acquisition Closing, or in the case of an escrow, which will be released to Exro immediately following Acquisition Closing.

The Acquisition Closing is also subject to, *inter alia*, the following conditions for the benefit of Exro and Merger Sub, which are to be satisfied or waived at or prior to the Acquisition Closing: (i) the representations and warranties of SEA being true and correct as of the date of the Merger Agreement and of the date of Acquisition Closing, subject to certain qualifications, exceptions and materiality thresholds set forth in the Merger Agreement; (ii) SEA having performed in all material respects its obligations under the Merger

Agreement; (iii) since the date of the Merger Agreement, there having been no material adverse effect with respect to SEA; (iv) SEA having provided an officer's certificate to Exro certifying the matters set out in (i), (ii) and (iii) above; and (v) SEA having provided an executed certificate to Exro with respect to certain U.S. tax matters, as more particularly described in the Merger Agreement.

The Acquisition Closing is also subject to, *inter alia*, the following conditions for the benefit of SEA, which are to be satisfied or waived at or prior to the Acquisition Closing: (i) the representations and warranties of Exro and Merger Sub being true and correct as of the date of the Merger Agreement and of the date of Acquisition Closing, subject to certain qualifications, exceptions and materiality thresholds set forth in the Merger Agreement; (ii) Exro and Merger Sub having performed in all material respects its obligations under the Merger Agreement; (iii) since the date of the Merger Agreement, there having been no material adverse effect with respect to Exro; (iv) Exro having provided an officer's certificate to SEA certifying the matters set out in (i), (ii) and (iii) above; and (v) Exro having filed the documents necessary to create the Convertible Preferred Shares.

#### *Termination*

The Merger Agreement may be terminated as follows: (i) by mutual written consent of Exro and SEA; (ii) by either Exro or SEA, if the Acquisition has not been consummated on or before June 30, 2024, if any court of competent jurisdiction has issued a final, non-appealable judgment, order, injunction, rule or decree enjoining or otherwise prohibiting any of the transactions contemplated by the Merger Agreement, if the approval of the shareholders of Exro has not been obtained at the applicable shareholder meeting or adjournment thereof; (iii) by Exro or Merger Sub, on the one hand, or SEA, on the other hand, if a breach of any representation, warranty, covenant or other agreement set forth in the Merger Agreement has been committed by the other party and such breach would have one of the effects specified in the Merger Agreement; (iv) by SEA if, among other things, the board of directors of Exro makes a change in its recommendation to shareholders of Exro to vote in favour of the Acquisition or if Exro fails to publicly recommend against a tender offer relating to its securities within 10 business days; and (v) by Exro or Merger Sub if, among other things, the board of directors of Exro authorizes Exro to enter into a definitive agreement with respect to certain superior proposals.

Exro, on the one hand, and SEA, on the other hand, have agreed to pay the other party a termination payment of US\$11,429,000 in connection with certain termination events as more particularly described in the Merger Agreement.

### **EXRO FOLLOWING COMPLETION OF THE ACQUISITION**

If the Acquisition is completed, Exro plans to initially operate SEA as an independent subsidiary of Exro, much in the manner SEA currently operates its business as described in this Prospectus Supplement (see "*Schedule "A" – Information Concerning SEA*"). Following completion of the Acquisition, an integration plan will be developed by Exro and SEA management to identify areas for operational, technology, and cost synergies between the two businesses. Once the integration plan is finalized, Exro will execute the integration plan to optimize its overall business moving forward, which may include the consolidation of certain business functions (engineering, finance, marketing, etc.), the closure or repurposing of certain locations, and the introduction of Coil Driver into SEA-Drive® systems for customer applications.

Upon completion of the Acquisition, Sue Ozdemir is expected to remain as Chief Executive Officer of the Company, Tony Fairweather is expected to be appointed as Chief Product Officer of the Company, and Darrell Bishop is expected to be appointed as the Chief Financial Officer of the Company. The board of directors of the Company following completion of the Acquisition is expected to consist of up to nine members, with Rod Copes serving as Chair and the remaining directors comprised of representatives from both Exro's and SEA's current boards of directors.

## CONSOLIDATED CAPITALIZATION

Except in connection with the Offering and as disclosed below and elsewhere in this Prospectus Supplement, there have been no material changes in the Company's share and loan capital on a consolidated basis since the date of the Interim Financial Statements.

The following table sets forth the consolidated capitalization of the Company as at September 30, 2023, and as at such date, on an adjusted basis, to give effect to the Offering and the completion of the Acquisition (assuming the issuance of Common Shares to holders of the Subscription Receipts and no payment of any Dividend Equivalent Payment). The following table should be read in conjunction with the Interim Financial Statements and the Interim MD&A, each of which is incorporated by reference in the Shelf Prospectus, and the Exro Pro Forma Financial Information:

Designation	Outstanding as at September 30, 2023	Outstanding as at September 30, 2023 after giving effect to the Offering and the completion of the Acquisition <sup>(2)</sup>
(Canadian dollars, except share amounts)		
Convertible debt	\$14,950,000 <sup>(1)</sup>	\$70,670,600 <sup>(3)</sup>
Share capital:		
Common Shares	\$152,998,157 (168,950,202 Common Shares)	\$299,296,667 (354,379,436 Common Shares)
Preferred Shares	\$0 (0 Preferred Shares)	\$150,122,922 (168,677,441 Preferred Shares)

Note:

- (1) Amount represents outstanding principal balance of convertible debentures of Exro as at September 30, 2023.
- (2) Based on the issuance of 31,600,000 Subscription Receipts pursuant to the Offering for net proceeds to Exro from the Offering of approximately \$27,759,519, after deducting the Underwriters' Fee of \$1,801,200 and estimated aggregate Underwriters' Expenses of \$459,281 and excluding any Earned Interest and the payment of any Dividend Equivalent Payment and after giving effect to the automatic conversion of the Subscription Receipts into Common Shares on completion of the Acquisition.
- (3) Amount represents expected outstanding principal balance of senior secured convertible promissory notes of Exro, assuming repayment of all outstanding Exro convertible debentures and conversion of all outstanding convertible notes of SEA into senior secured convertible promissory notes of Exro, subsequent to the Acquisition Closing. The principal value of debt will be approximately US\$52 million, converted to Canadian dollars at an exchange rate of \$1.3591 Canadian dollars to US\$1.00 as at September 30, 2023.

## DESCRIPTION OF SHARE CAPITAL

Our authorized capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of the date of this Prospectus Supplement, there are 170,121,819 Common Shares issued and outstanding and zero preferred shares issued and outstanding.

For a description of the terms of the Common Shares and a general description of the preferred shares, see "*Description of Share Capital*" in the Shelf Prospectus.

In connection with the Acquisition and to permit the issuance of the Merger Consideration, the Company will file a notice of alteration to its notice of articles to create a new series of preferred shares, being the Convertible Preferred Shares, and amend its articles to provide for the special rights and restrictions attaching thereto, in each case prior to closing of the Acquisition. The following is a summary of the special rights and restrictions attaching to the Convertible Preferred Shares.

The holders of Convertible Preferred Shares are not entitled to vote at meetings of the shareholders of the Company except as required pursuant to applicable law or at a meeting of shareholders of the Company

called for the purpose of approving the liquidation or dissolution of the Company. Upon the liquidation, dissolution or winding-up of the Company, the holders of Convertible Preferred Shares are entitled to participate *pari passu* with the holders of the Common Shares. The holders of Convertible Preferred Shares are also entitled to participate *pari passu* with the holders of Common Shares in any dividends declared by the board of directors of the Company from time to time. The Convertible Preferred Shares are economically equivalent to the Common Shares in all respects.

Each Convertible Preferred Share is convertible, at the option of the holder thereof, into one Common Share upon sending to the Company's transfer agent (a) the certificate therefor, duly endorsed, or the equivalent in any non-certificated inventory system, and written notice of the election to convert such Convertible Preferred Share, and (b) a declaration confirming that the underlying Common Shares will be sold through the facilities of a stock exchange or alternative trading system, as applicable, in one or more transactions which are not pre-arranged with any non-arm's length acquiror.

Each Convertible Preferred Share is also convertible into one Common Share, subject to sending to the Company's transfer agent the certificate therefor, duly endorsed, or the equivalent in any non-certificated inventory system, and written notice of the election to convert such Convertible Preferred Share, in the event that a bona fide third party makes a formal take-over bid (as defined in National Instrument 62-104 – *Take-Over Bids and Issuers Bids*) for the Common Shares in order to permit the holder to tender to the take-over bid.

In addition, each Convertible Preferred Share shall be automatically converted, without any further action, into one Common Share, and each SEA Stockholder immediately prior to the Acquisition Closing or any person controlled, directly or indirectly, by any such SEA Stockholder (each, a "**Permitted Holder**") shall automatically be deemed to have exercised the right to convert such Convertible Preferred Share into one Common Share on the earliest to occur of: (a) the date that is five years following closing of the Acquisition; (b) the date that less than 20% of the originally issued Convertible Preferred Shares remain outstanding; and (c) the date that a person other than a Permitted Holder acquires more than 50% of the issued and outstanding Common Shares.

The terms attaching to the Convertible Preferred Shares also include customary subdivision, consolidation and adjustment provisions.

## **PLAN OF DISTRIBUTION**

On February 16, 2024, the Company completed the sale and issuance, by way of private placement, of 31,600,000 Subscription Receipts at the Offering Price per Subscription Receipt for aggregate gross proceeds of \$30,020,000 pursuant to the terms of the Underwriting Agreement and the Subscription Receipt Agreement. This Prospectus Supplement is being filed in the Qualifying Jurisdictions to qualify the distribution of the 31,600,000 Common Shares issuable upon the automatic conversion of the 31,600,000 Subscription Receipts. The Offering Price under the Offering was determined by arm's length negotiation between the Company and Canaccord on behalf of the Underwriters.

**The Subscription Receipts are not available for purchase pursuant to this Prospectus Supplement and no additional funds are to be received by the Company from the distribution of the Common Shares.**

The Escrowed Proceeds were deposited in escrow and are being held by Odyssey Trust pursuant to the terms of the Subscription Receipt Agreement, and invested in accordance with the Subscription Receipt Agreement pending either the satisfaction of the Escrow Release Conditions on or before the Termination Date. The Subscription Receipts will be automatically converted into Common Shares, and the Escrowed Funds (less the Underwriters' Fee payable in respect of the Subscription Receipts, together with the interest earned thereon, and the Escrow Release Underwriters' Expenses) will be released to the Company, provided that on or before the Termination Date, the Escrow Release Conditions have been satisfied. Each Subscription Receipt entitles its holder to receive, upon satisfaction of the Escrow Release Conditions and subject to adjustments in certain circumstances, one Common Share, plus an amount per Common Share,



if any, equal to the amount per Common Share of any cash dividends, net of any applicable withholding taxes, declared by the board of directors of the Company on the Common Shares to holders of record on a date during the period from, and including, February 16, 2024 to, but excluding, the closing date of the Acquisition (the "**Dividend Equivalent Payment**"), if any, at no additional cost or further action on the part of the holder, in accordance with the terms and conditions of the Subscription Receipt Agreement.

Pursuant to the Underwriting Agreement, the Company has covenanted to prepare and file this Prospectus Supplement with the securities commissions in the Qualifying Jurisdictions and otherwise fulfill all legal requirements under applicable securities laws to qualify the distribution of the 31,600,000 Common Shares issuable upon the automatic conversion of the 31,600,000 Subscription Receipts.

Other than the Underwriters' Fee, there are no payments in cash, securities or other consideration that were made, or are to be made, to a promoter, finder or any other person or company in connection with the Offering.

On February 27, 2024, the TSX approved the Offering, the issuance of the Common Shares upon the automatic conversion of the Subscription Receipts and the listing of such Common Shares, subject to: (a) the Company receiving the requisite shareholder approvals prior to the satisfaction of the Escrow Release Conditions; and (b) the conversion of the Subscription Receipts following satisfaction of the Escrow Release Conditions occurring prior to the Escrow Release Deadline.

On the Closing Date, a total of 31,600,000 Subscription Receipts were registered in the name of "CDS & Co." and were deposited with CDS as electronic Non-Certificated Positions. No physical certificates representing Subscription Receipts were issued to purchasers. Upon the automatic conversion of the Subscription Receipts, the Common Shares will be issued as electronic non-certificated inventory positions registered and deposited with CDS or its nominee, and purchasers will receive only a customer confirmation from an Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Subscription Receipts was originally acquired, subject to certain limited exceptions, including issuances of Common Shares to certain persons in the United States who are "accredited investors" (as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act), which will be issued in certificated form.

This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities qualified hereby to, or for the account or benefit of, persons in the United States or U.S. Persons. The Subscription Receipts and the Common Shares issuable upon conversion thereof have not been and will not be registered under the U.S. Securities Act or any applicable securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person, except in transactions exempt from the registration requirements of the U.S. Securities Act and any applicable securities laws of any state of the United States. The Underwriters agreed not to offer or sell the Subscription Receipts in the United States or to, or for the account or benefit of, U.S. Persons, except as permitted in the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriters offered Subscription Receipts to, or for the account or benefit of, persons in the United States and U.S. Persons through the United States registered broker-dealer affiliates of the Underwriters: (i) to a limited number of "qualified institutional buyers" (as such term is defined in Rule 144A under the U.S. Securities Act) to be sold by the Underwriters pursuant to Rule 144A under the U.S. Securities Act; and (ii) to a limited number of "accredited investors" (as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act) to be sold directly by the Company on a substituted purchaser basis pursuant to Rule 506 of Regulation D under the U.S. Securities Act and, in each case, in accordance with all applicable securities laws of any state of the United States. The Subscription Receipts and the Common Shares issued upon conversion thereof to, or for the account or benefit of, persons in the United States and U.S. Persons will be "restricted securities" (as such term is defined in Rule 144 under the U.S. Securities Act) and, in the case of Common Shares issued to accredited investors, may bear appropriate legends evidencing the restrictions on the offer, sale and transfer of such securities.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Subscription Receipts in the United States by any dealer (whether or not participating in the Offering) may violate the

registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

In the event that a Termination Event occurs, Odyssey Trust shall return to the holders of the Subscription Receipts an amount equal to the aggregate Offering Price of the Subscription Receipts held by each such holder and their pro rata portion of the Earned Interest and the Subscription Receipts shall be cancelled, all in accordance with the Subscription Receipt Agreement. If the funds available for distribution by Odyssey Trust are insufficient to satisfy the amounts required to be paid by Odyssey Trust, the Company shall fund any shortfall.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES**

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to a beneficial owner of Common Shares issued pursuant to the conversion of the Subscription Receipts who, within the meaning of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**") and at all relevant times: (i) deals at arm's length with the Company and the Underwriters and is not affiliated with the Company or the Underwriters, and (ii) will hold the Common Shares issuable pursuant to the terms of the Subscription Receipts as capital property (a "**Holder**"). Generally, the Common Shares will be considered to be capital property to a Holder provided the Holder does not hold the Common Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" for purposes of the "mark-to-market" rules, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter" or would be a "tax shelter investment", (iv) that has elected to determine its "Canadian tax results" in a currency other than Canadian currency, (v) that has entered or will enter into, in respect of the Subscription Receipts or Common Shares, a "derivative forward agreement" or a "synthetic equity arrangement", (vi) that receives dividends on the Common Shares under or as part of a "dividend rental arrangement", or (vii) that is exempt from tax for purposes of the Tax Act, as those terms are each defined in the Tax Act. **Any such Holder should consult its own tax advisor with respect to an investment in the Common Shares.**

This summary is based upon the current provisions of the Tax Act in force as at the date hereof, all specific proposals (the "**Tax Proposals**") to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsels' understanding of the current administrative practices and assessing policies of the Canada Revenue Agency published in writing and publicly available prior to the date hereof. This summary assumes the Tax Proposals will be enacted in the form proposed; however, no assurance can be given that the Tax Proposals will be enacted in the form proposed, if at all. This summary does not, other than the Tax Proposals, take into account or anticipate any changes in applicable law, whether by legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign tax laws or considerations, which might differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. This summary is not exhaustive of all possible income tax considerations under the Tax Act that may affect a Holder. The income tax consequences of acquiring and disposing of Common Shares will vary depending on a number of facts, including the legal status of the Holder as an individual, corporation, trust or partnership. Accordingly, prospective Holders of Common Shares obtained as a result of the conversion of the Subscription Receipts should consult their own tax advisors with respect to their particular circumstances and the tax consequences to them of holding and disposing of Common Shares.

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Common Shares (including interest, dividends, adjusted cost base and proceeds of disposition) must generally be expressed in Canadian dollars. Amounts denominated in any other currency must be converted into

Canadian dollars based on the single daily exchange rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as if acceptable to the Canada Revenue Agency.

**The income tax consequences of acquiring and disposing of Subscription Receipts, including on a conversion into Common Shares pursuant to their terms, or on a Termination Event, and the payment of any Termination Payment which may be made pursuant thereto are not discussed in this summary. Holders of Subscription Receipts should consult their own tax advisors with respect to their particular circumstances and the tax consequences to them of holding and disposing of Subscription Receipts.**

### **Holders Resident in Canada**

This portion of the summary applies to a Holder who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, resident in Canada (a "**Resident Holder**"). Certain Resident Holders who may not otherwise be considered to hold their Common Shares as capital property may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act to have their Common Shares that are acquired pursuant to a Subscription Receipt (and all other "**Canadian Securities**", as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years deemed to be capital property. Resident Holders considering making such election should first consult their own tax advisors.

This summary does not address the possible application of the "foreign affiliate dumping" rules that may be applicable to a Resident Holder of Subscription Receipts or Common Shares that is a corporation resident in Canada (for the purposes of the Tax Act) that is, or that becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Subscription Receipts or Common Shares, controlled by a non-resident corporation for the purposes of the rules in section 212.3 of the Tax Act. Any such Resident Holder should consult its own tax adviser with respect to the consequences of acquiring the Common Shares on conversion of the Subscription Receipts.

### ***Holding and Disposing of Common Shares***

#### *Acquisition of Common Shares Pursuant to Terms of the Subscription Receipts*

The cost of a Common Share issued to a Resident Holder pursuant to the conversion of a Subscription Receipt will generally be equal to (i) the amount paid to acquire the Subscription Receipt and (ii) the Resident Holder's pro rata share of any Earned Interest that is included in the Resident Holder's income but remitted to the Company upon the acquisition of the Common Share pursuant to the Subscription Receipt, less (iii) the aggregate of all Dividend Equivalent Payments received by or, in the event that the Dividend Equivalent Payment is received after the issuance of the Common Shares pursuant to the terms of the Subscription Receipt, receivable by, the Resident Holder out of the Escrowed Funds that are a partial refund of the Offering Price for the Subscription Receipt as described under the heading "*Holders Resident in Canada – Holding and Disposing of Common Shares – Dividend Equivalent Payment*". The adjusted cost base to the Resident Holder of Common Shares so acquired will be determined by averaging the cost of such Common Shares with the adjusted cost base of all other Common Shares owned at that time by the Resident Holder as capital property.

#### *Other Dispositions of Subscription Receipts*

A disposition or deemed disposition by a Resident Holder of a Subscription Receipt (which does not include an acquisition of a Common Share pursuant to the terms of the Subscription Receipts, as discussed above) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Subscription Receipt exceed (or are less than) the aggregate of the Resident Holder's adjusted cost base of the Subscription Receipt and any reasonable costs of disposition. Any such capital gain (or capital loss) will be subject to the tax treatment described below under

the heading "*Holders Resident in Canada – Holding and Disposing of Common Shares – Taxation of Capital Gains and Capital Losses*".

The cost to a Resident Holder of a Subscription Receipt at any particular time will generally be equal to the subscription price for the Subscription Receipt. The adjusted cost base of a Subscription Receipt acquired at any time will be determined by averaging the cost of such Subscription Receipt immediately before such time with the adjusted cost base of any other Subscription Receipts owned by the Resident Holder as capital property at such time.

#### *Acquisition Failing to Close*

In the event of a Termination Event, Resident Holders of a Subscription Receipt will be entitled to receive from Odyssey Trust the Termination Payment, being an amount equal to (i) the Offering Price, plus (ii) a pro rata share of any Earned Interest. The Termination Payment will be made from the balance of the Escrowed Funds at the Termination Date, provided that if the balance of the Escrowed Funds is insufficient to cover the full amount of the Termination Payment, the Company will be required to pay to Odyssey Trust an amount equal to the deficiency between the amount of the Escrowed Funds and the aggregate of the Termination Payments due (the "**Termination Top-up**").

The repayment of the subscription price of the Subscription Receipt out of Escrowed Funds will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Subscription Receipt exceed (or are less than) the aggregate of the Resident Holder's adjusted cost base of the Subscription Receipt and any reasonable costs of disposition.

Any part of the Termination Payment that is paid to the Resident Holder as, or on account of, interest and that is included in the Resident Holder's income, will be, and the Termination Top-up (other than any portion of the Termination Top-up that is an amount paid by the Company as a refund of the issue price for the Subscription Receipts) should be, excluded from the Resident Holder's proceeds of disposition of the Subscription Receipt. Any such Termination Top-up should be included in the income of the Resident Holder in the same manner as the pro rata share of Earned Interest, as described under "*Holder Resident in Canada – Holding and Disposing of Common Shares – Pro Rata Share of Interest*".

#### *Pro Rata Share of Interest*

In the event of a Termination Event, as noted above, Resident Holders will be entitled to receive their pro rata share of any Earned Interest, which will be generally included in computing a Resident Holder's income as described under the heading below "*Holders resident in Canada – Holding and Disposing of Common Shares – Dividend Equivalent Payment*".

#### *Dividend Equivalent Payment*

If the Acquisition Closing occurs prior to the Termination Date, a holder of a Subscription Receipt will be entitled to receive, without payment of additional consideration and without further action, one Common Share together with any Dividend Equivalent Payment. The Dividend Equivalent Payment, if any, will be made first out of any Earned Interest and then out of the principal amount of the Escrowed Funds. If the Escrowed Funds are insufficient to cover the full amount of the Dividend Equivalent Payments payable, the Company will be required, under the terms of the Subscription Receipt Agreement, to make up any deficiency by payment to Odyssey Trust (the "**DEP Top-up**").

If the Acquisition Closing occurs prior to the Termination Date, a Resident Holder of Subscription Receipts that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will generally be required to include in computing its income for a taxation year any amount of Earned Interest (i) that accrues or that is deemed to accrue to it to the end of the particular taxation year, or (ii) that has become receivable by or is received by it before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation

year, and such amounts will be excluded from the Resident Holder's proceeds of disposition. This will include any interest on the Escrowed Funds, whether or not such interest is received or receivable by the Resident Holder, including interest on the Escrowed Funds that is remitted to the Company upon the acquisition of a Common Share pursuant to the Subscription Receipt. Any other Resident Holder must include in computing its income for a taxation year the amount of interest received or receivable by the Resident Holder or by an escrow agent on behalf of the Resident Holder in that taxation year, depending on the method regularly followed by the Resident Holder in computing income, and such interest will be excluded from the Resident Holder's proceeds of disposition.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout the relevant taxation year or a "substantive CCPC" (as defined in certain Tax Proposals released on August 9, 2022) at any time in a taxation year may be liable to pay a refundable tax on its "aggregate investment income", which is defined in the Tax Act to include interest income.

Any portion of the Dividend Equivalent Payment that is paid by Odyssey Trust out of the Escrowed Funds as a partial refund of the issue price for the Subscription Receipt generally will not be included in the Resident Holder's income and should reduce the cost of the Subscription Receipt to the Resident Holder. The amount of any DEP Top-up should be taxed as ordinary income and not as a dividend for purposes of the Tax Act and no part of the amount will benefit from the gross-up and dividend tax credit rules normally applicable in respect of taxable dividends received by individuals from "taxable Canadian corporations" (as defined in the Tax Act). Where such DEP Top-up is received by a corporation, the amount will not be deductible in computing the corporation's taxable income and will not result in the requirement to pay the refundable Part IV tax.

#### *Dividends on Common Shares*

Dividends received or deemed to be received on Common Shares by a Resident Holder will be included in computing the Resident Holder's income for the purposes of the Tax Act.

Dividends received or deemed to be received by a Resident Holder who is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit for "eligible dividends". A dividend will be eligible for the enhanced gross-up and dividend tax credit if the Company designates the dividend as an eligible dividend in accordance with the Tax Act.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act, depending on the individual's circumstances. The Minister of Finance (Canada) announced proposed changes to the existing rules in the Tax Act relating to alternative minimum tax in the federal budget released on March 28, 2023. Tax Proposals implementing those changes were released on August 4, 2023. Resident Holders who are individuals should consult their own tax advisors in this regard.

Dividends received or deemed to be received on Common Shares by a Resident Holder which is a corporation will normally be deductible in computing such corporation's taxable income. A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a refundable tax of 38 $\frac{1}{3}$ % on dividends received or deemed to be received on the Common Shares to the extent the dividends are deductible in computing the Resident Holder's taxable income.

In certain circumstances, a taxable dividend received or deemed to be received by a Resident Holder that is a corporation will be treated as proceeds of disposition or a capital gain, rather than as a dividend. Resident Holders that are corporations are urged to contact their own tax advisors.

### *Disposition of Common Shares*

In general, a disposition or a deemed disposition of a Common Share will give rise to a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Common Share immediately before the disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Holders Resident in Canada – Holding and Disposing of Common Shares – Taxation of Capital Gains and Capital Losses*".

### *Taxation of Capital Gains and Capital Losses*

Generally, one-half of any capital gain realized by a Resident Holder in a taxation year will be included in computing the Resident Holder's income in the taxation year of disposition. One-half of any capital loss realized by a Resident Holder in a taxation year normally must be deducted as an allowable capital loss by the Resident Holder against taxable capital gains realized by the Resident Holder in the year. Any allowable capital loss not deductible in the year it is realized generally may be carried back and deducted against taxable capital gains in any of the three preceding years or carried forward and deducted against taxable capital gains in any subsequent year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of a Common Share by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by the Resident Holder on the Common Share to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Capital gains realized by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. The Minister of Finance (Canada) announced proposed changes to the existing rules in the Tax Act relating to alternative minimum tax in the federal budget released on March 28, 2023. Tax Proposals implementing those changes were released on August 4, 2023. Resident Holders who are individuals should consult their own tax advisors in this regard.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout the relevant taxation year or a "substantive CCPC" (as defined in certain Tax Proposals tabled in Parliament on November 30, 2023 as Bill C-59) at any time in a taxation year may be liable to pay a refundable tax on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

### **Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act is not, and is not deemed to be, resident in Canada and does not use or hold the Common Shares in a business carried on in Canada (a "**Non-Resident Holder**"). This part of the summary is not applicable to Non-Resident Holders that are insurers carrying on an insurance business in Canada and elsewhere.

### ***Holding and Disposing of Common Shares***

#### *Acquisition of Common Shares Pursuant to Terms of the Subscription Receipts*

The cost of a Common Share issued to a Non-Resident Holder pursuant to the conversion of a Subscription Receipt will generally be as described under "*Holders Resident in Canada – Holding and Disposing of Common Shares – Acquisition of Common Shares Pursuant to the Terms of Subscription Receipts*". The adjusted cost base to the Non-Resident Holder of Common Shares so acquired will be determined by

averaging the cost of such Common Shares with the adjusted cost base of all other Common Shares owned at that time by the Non-Resident Holder as capital property.

#### *Acquisition Failing to Close*

In the event of a Termination Event, Non-Resident Holders will be entitled to receive from Odyssey Trust an amount equal to (i) the Offering Price, plus (ii) a pro rata share of any Earned Interest, net of any applicable withholding tax.

#### *Dividend Equivalent Payment*

If the Acquisition Closing occurs prior to the Termination Date, a holder of a Subscription Receipt will be entitled to receive, without payment of additional consideration and without further action, one Common Share together with any Dividend Equivalent Payment, net of any applicable withholding tax.

As described under "*Holders Resident in Canada – Holding and Disposing of Common Shares – Dividend Equivalent Payment*", the Dividend Equivalent Payment, if any, will be made first out of any Earned Interest and then out of the principal amount of the Escrowed Funds. If the Escrowed Funds are insufficient to cover the full amount of the Dividend Equivalent Payments payable, the Company will be required, under the Subscription Receipt Agreement, to pay the DEP Top-up.

A Non-Resident Holder receiving a Dividend Equivalent Payment will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by Odyssey Trust as, on account or in lieu of payment of, or in satisfaction of, any such interest credited or received on the Escrowed Funds, including the Earned Interest (other than any portion of the Earned Interest that is an amount paid by the Company as a refund of the issue price for the Subscription Receipts), unless such interest constitutes "participating debt interest" (within the meaning of the Tax Act). If such interest is considered to be participating debt interest, the amount paid to a Non-Resident Holder would be subject to Canadian withholding tax at the statutory rate of 25% (subject to reduction under an applicable income tax convention between Canada and the Non-Resident Holder's country of residence). In this respect, it is uncertain whether or not such interest would constitute "participating debt interest" for purposes of the Tax Act. Odyssey Trust intends to withhold at the statutory rate of 25% (subject to reduction under an applicable income tax convention between Canada and the Non-Resident Holder's country of residence) on the portion of any Dividend Equivalent Payment which is paid by way of a pro rata share of Earned Interest that is paid to a Non-Resident Holder.

Any portion of the Dividend Equivalent Payment that is paid as a partial refund of the issue price for the Subscription Receipt generally will reduce the cost to the Non-Resident Holder of the Common Shares acquired pursuant to the terms of the Subscription Receipts.

The DEP Top-up, if any, should be treated and reported as a dividend paid to a Non-Resident Holder and will be subject to the tax treatment described below under "*Holders Not Resident in Canada – Holding and Disposing of Common Shares – Dividends on Common Shares*". Odyssey Trust intends to withhold at the statutory rate of 25% (subject to reduction under an applicable income tax convention between Canada and the Non-Resident Holder's country of residence).

#### *Dividends on Common Shares*

Any dividends paid or credited, or deemed to be paid or credited, on the Common Shares to a Non-Resident Holder who is the beneficial owner of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend or deemed dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Resident Holder is entitled to the benefits of, between Canada and the Non-Resident Holder's country of residence. For instance, where the Non-Resident Holder is a resident of the U.S. that is entitled to full benefits under the Canada-United States

Income Tax Convention (1980), as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

### *Disposition of Common Shares*

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of a Common Share, and may not recognize any capital loss, unless the Common Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention.

Provided the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at the time of disposition of a Common Share, the Common Shares will generally not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition of the Common Share: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder does not deal at arm's length, or (iii) partnerships in which the Non-Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships, has owned 25% or more of the issued shares of any class or series of the Company, and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resource properties; and (iv) options in respect of, or interests in or civil law rights in, any of the foregoing property whether or not the property exists. Notwithstanding the foregoing, Common Shares which are not otherwise taxable Canadian property may in certain circumstances be deemed to be taxable Canadian property to a Non-Resident Holder for the purposes of the Tax Act.

A Non-Resident Holder contemplating a disposition of Common Shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Stikeman Elliott LLP, counsel to the Company, based on the provisions of the Tax Act in force on the date hereof, the Common Shares issuable pursuant to the conversion of the Subscription Receipts will be qualified investments at the time of acquisition by a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), first home savings account ("**FHSA**") or a tax-free savings account ("**TFSA**"), each as defined in the Tax Act and each being referred to herein as a "**Plan**", provided that, at the time of the acquisition by the Plan, the Common Shares are listed on a "designated stock exchange" (which includes the TSX) or the Company is a "public corporation" as defined in the Tax Act.

Notwithstanding the foregoing, if the Common Shares are "prohibited investments", within the meaning of the Tax Act, for a particular RRSP, RRIF, RESP, RDSP, FHSA or TFSA (each a "**Specified Plan**"), the annuitant or the holder of the Specified Plan, as the case may be, will be subject to a penalty tax under the Tax Act. The Common Shares will generally not be a "prohibited investment" for these purposes unless the annuitant or the holder of the Specified Plan, as applicable, (i) does not deal at arm's length with the Company, for the purposes of the Tax Act, or (ii) has a "significant interest", as defined in the Tax Act, in the Company. Common Shares will generally not be a prohibited investment if the Common Shares are "excluded property" for the purposes of the prohibited investment rules for a Specified Plan. Generally, an annuitant or holder, as the case may be, will have a significant interest in the Company if the holder and/or persons not dealing at arm's length with the holder own, directly or indirectly, 10% or more of the issued shares of any class of the Company. **Prospective purchasers who intend to hold Common Shares in a Specified Plan should consult their own tax advisors regarding their particular circumstances.**



## RISK FACTORS

*An investment in the securities of the Company involves certain risks. Investors should carefully consider the risks and uncertainties described in this Prospectus Supplement and the documents incorporated by reference into this Prospectus Supplement together with the other risks described under the "Risk Factors" section of the accompanying Shelf Prospectus. These are not the only risks and uncertainties that we face. Additional risks not presently known to us or that we currently consider immaterial may also materially and adversely affect us. If any of the events identified in these risks and uncertainties were to actually occur, our business, financial condition, results of operations and prospects could be materially harmed.*

### **Risks Related to Exro's Business**

#### ***We require sufficient capital to fund the capital expenditure and working capital requirement under the Definitive Commercialization Agreement***

The definitive commercialization agreement between the Company and Linamar Corporation (the "**Definitive Commercialization Agreement**") signals the commitment of the Company and Linamar Corporation to commercialize the parties' co-developed integrated electric axle utilizing Exro's Coil Driver™ traction inverter. The Definitive Commercialization Agreement is set for an initial five-year term with the parties committing to milestones and commercial volume targets. The Company wishes to use the net proceeds from the Offering to meet the capital expenditure and working capital requirements associated with the Definitive Commercialization Agreement. In the event the Escrow Release Conditions are not satisfied, the Company may need to source alternative forms of financing that may lead to delays in fulfilling its commitments under the Definitive Commercialization Agreement. There are other risks associated with the Definitive Commercialization Agreement, including, but not limited to, order volumes under the Definitive Commercialization Agreement do not materialize as planned; the Company experiencing a significant delay in sourcing the required capital equipment to support the Definitive Commercialization Agreement; and the Company experiencing difficulties and/or delays in the setting up and commissioning of capital equipment, resulting in its inability to deliver products.

#### ***Uncertainty about the Company's ability to continue as a going concern***

There is no certainty that the Company will continue as a going concern. If the Company does not, shareholders could lose their investment. The financial statements of the Company have historically been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, the Company has a history of net losses and, as at September 30, 2023, the Company had an accumulated deficit of \$132,695,216.

The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast doubt on the Company's ability to continue as a going concern.

### **Risks Relating to the Subscription Receipts and the Common Shares**

#### ***Subscription Receipt Structure***

The Common Shares underlying the Subscription Receipts will only be issued to holders of Subscription Receipts upon the satisfaction of the Escrow Release Conditions prior to the Termination Date. See "*Risk Factors – Risks Relating to the Acquisition*". There can be no assurance that the Escrow Release Conditions will be satisfied prior to the Termination Date. The Company may, in its sole discretion, waive certain closing conditions in its favour in the Merger Agreement or agree to amend the Merger Agreement

and consummate the Acquisition on terms that may be substantially different from those set forth in the Merger Agreement and described in this Prospectus Supplement. Other events could result in a Termination Event. As a result, the Closing may not occur as contemplated in this Prospectus Supplement, or at all, and, if the Closing does occur, the expected benefits of the Acquisition may not be fully realized. See "*Risk Factors – Risks Relating to the Subscription Receipts and the Common Shares – Funds in Escrow*" and "*The Acquisition*".

Until the Escrow Release Conditions are satisfied and the Common Shares are issued pursuant to the terms of the Subscription Receipt Agreement, holders of Subscription Receipts have only the rights set out in the Subscription Receipt Agreement, a copy of which is available on the Company's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

### ***Market Price***

The market price of Common Shares issuable to holders of Subscription Receipts may fluctuate due to a variety of factors relating to the Company's business, including announcements of new developments, fluctuations in the Company's operating results, sales of Common Shares or other securities of the Company, failure to meet analysts' expectations, general market conditions or the worldwide economy. In the past, the Common Shares and stock markets in Canada and the United States have experienced significant price fluctuations, which may have been unrelated to the operating performance of the Company or the other affected companies. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance. For these reasons, past trends in the price of Common Shares should not be relied upon to predict the future price of Common Shares.

### ***Funds in Escrow***

The Escrowed Funds are being held in escrow pending the earlier of: (i) the satisfaction of the Escrow Release Conditions; (ii) the occurrence of a Termination Event. There can be no assurance that the Escrow Release Conditions will be satisfied prior to the occurrence of a Termination Event. If the Escrow Release Conditions are not satisfied before a Termination Event occurs, Odyssey Trust shall return to the holders of the Subscription Receipts an amount equal to the aggregate Offering Price of the Subscription Receipts held by each such holder and their pro rata portion of the Earned Interest. As a result, the Escrowed Funds may not be released to the Company. If the funds available for distribution by Odyssey Trust are insufficient to satisfy the amounts required to be paid by Odyssey Trust, the Company shall fund any shortfall.

### ***Issuance of Additional Common Shares***

Exro's articles of incorporation and by-laws allow it to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the board of directors of Exro, in many cases, without the approval of Exro's shareholders. Except as prohibited by the Underwriting Agreement and the Merger Agreement, Exro may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares). Exro may also issue Common Shares to finance future acquisitions. Exro cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and Exro may experience dilution in its earnings per share.

### ***Dividends***

Any dividends to be paid by Exro on the Common Shares, and accordingly, the Dividend Equivalent Payment that may be receivable in respect of the Subscription Receipts, may fluctuate. The payment of dividends is subject to the discretion of Exro's board of directors and depends on, among other things, the

financial condition of Exro, general business conditions and other factors that Exro's board of directors may in the future consider to be relevant. In addition, Exro's ability to pay dividends following the Acquisition could be adversely affected if the free cash flow resulting from the Acquisition does not materialize as expected when coupled with the potentially dilutive effect of the additional Common Shares issued in exchange for the Subscription Receipts issued under the Offering. Holders of Subscription Receipts will not be entitled to a Dividend Equivalent Payment, and no Dividend Equivalent Payment will be made, if a Termination Event occurs.

## **Risks Relating to the Acquisition**

### ***Closing of the Acquisition***

The Acquisition Closing is subject to the satisfaction of certain closing conditions, including the receipt of required regulatory approvals. There is no certainty, nor can Exro provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining regulatory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on Exro's ability to complete the Acquisition and on Exro's or SEA's business, financial condition, results of operations or cash flows. See "*The Acquisition – The Merger Agreement – Closing Conditions*". The Company intends to consummate the Acquisition as soon as practicable after obtaining the required regulatory approvals and satisfying the required closing conditions.

Pending the satisfaction of the Escrow Release Conditions and the issuance of the Common Shares underlying the Subscription Receipts, the holders of the Subscription Receipts are not shareholders and the Subscription Receipts do not entitle the holders thereof to vote as or with holders of the Common Shares. The Escrow Release Notice will only be delivered if the Escrow Release Conditions are satisfied and the Acquisition Closing occurs prior to the Termination Date. If a Termination Event occurs, Odyssey Trust will return to each holder of Subscription Receipts, from the Escrowed Funds, the Termination Payment. In such a case, the return received by a holder of Subscription Receipts will be limited to the Earned Interest on the Offering Price paid for the subscriber's Subscription Receipts, net of any applicable withholding taxes. See "*Risk Factors - Risks Relating to the Subscription Receipts and the Common Shares – Funds in Escrow*." Also, each subscriber's subscription proceeds will be held in escrow pending a Termination Event, and accordingly, subscribers will not be able to use such funds to take advantage of other investment opportunities that occur prior to a Termination Event. In addition, if the Acquisition Closing does not take place as contemplated, Exro could suffer adverse consequences, including the loss of investor confidence.

### ***Unexpected Liabilities Related to the Acquisition***

In connection with the Acquisition, there may be liabilities associated with SEA's business that the Company failed to discover or was unable to quantify in the due diligence which it conducted in connection with the Acquisition and the Company may not be indemnified for some or all of these liabilities. The discovery, existence or quantification of any such liabilities could have a material adverse effect on the Company's business, financial condition or future prospects.

### ***Information Provided by SEA***

All information related to SEA in this Prospectus Supplement is based on information provided by SEA. Although the Company has conducted what it believes to be a prudent and thorough level of investigation with respect to SEA in connection with the Acquisition, a certain degree of risk remains regarding the accuracy and completeness of such information. While the Company has no reason to believe the information obtained from SEA is misleading, untrue or incomplete, the Company cannot assure the accuracy or completeness of such information, nor can the Company compel the SEA to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to the Company.

### ***Pro Forma Financial Information may not be Indicative of Exro's Financial Condition or Results following the Acquisition***

The unaudited pro forma condensed combined consolidated financial information contained in this Prospectus Supplement is presented for illustrative purposes only as of its respective dates and may not be indicative of the financial condition, results of operations or cash flows of Exro following completion of the Acquisition. The unaudited pro forma condensed combined consolidated financial information has been derived from the respective historical financial statements of Exro and SEA, and certain adjustments and assumptions have been made to give effect to the Acquisition. The information upon which such adjustments and assumptions have been made is preliminary and adjustments and assumptions of this nature are difficult to make with complete accuracy. Moreover, the unaudited pro forma condensed combined consolidated financial information does not include, among other things, estimated synergies or adjustments related to restructuring or integration activities in connection with the Acquisition, or future acquisitions or disposals not yet known or probable. Actual amounts recorded upon the finalization of the Purchase Price allocation pursuant to the Merger Agreement may differ from the amounts reflected in the Exro Pro Forma Financial Information. Additionally, the unaudited pro forma condensed combined consolidated financial information may not reflect all of the costs that are expected to be incurred by SEA and the Company in connection with the Acquisition. Accordingly, the unaudited pro forma condensed combined consolidated financial information contained in this Prospectus Supplement is presented for informational purposes only and Exro's assets, results of operations and financial condition following the Acquisition may differ significantly from those indicated in the unaudited pro forma financial information.

### ***Financial and Operational Forecasts and Projections***

The Company's financial and operational forecasts are based on a number of assumptions, many of which are outside of Exro's control, and, if the underlying assumptions prove to be inaccurate, the Company's actual financial and operational results may be different from the forecasts and such differences may be material. This Prospectus Supplement includes financial forecasts, which are based on a number of assumptions and estimates that are discussed in this Prospectus Supplement and that may not prove to be correct. Such assumptions are further subject, to a significant degree, on future business decisions, some of which may change, and that could further cause our actual results to differ materially from those forecasted. Accordingly, the forecasts contained in this Prospectus Supplement are only an estimate of what Exro's management believes to be realizable as of the date of this Prospectus Supplement. Exro's forecasts are forward-looking statements and should be read together with the historical financial and operational information included or incorporated by reference in this Prospectus Supplement. Although Exro considers the assumptions and estimates underlying the forecasts to be reasonable as of the date of this Prospectus Supplement, those assumptions and estimates are inherently uncertain and subject to significant business, economic, financial, regulatory, technological and competitive risks and uncertainties, many of which are beyond our control and if our assumptions prove to be inaccurate, our actual results may differ materially from our forecasts.

### ***Exchange Rate Risk***

If the Acquisition is completed, Exro's consolidated results of operations may be negatively impacted by foreign currency fluctuations. As a result of the Acquisition, a larger portion of Exro's earnings will be in U.S. dollars. Exro's revenues, expenses and earnings that are denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the average exchange rates prevailing during the period. If the U.S. dollar were to weaken relative to the Canadian dollar, the amount of earnings reported in Exro's consolidated statement of operations from U.S. dollar denominated business would decrease.

### ***Failure to Realize Acquisition Benefits***

As described in "*The Acquisition*", the Company believes that the Acquisition will be beneficial. However, there is a risk that some or all of the expected benefits of the Acquisition may fail to materialize, or may not occur within the time periods that Exro anticipates. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

Moreover, a variety of factors, including those risk factors set forth in the Shelf Prospectus and this Prospectus Supplement and the documents incorporated by reference in the Shelf Prospectus and this Prospectus Supplement, may adversely affect the Company's ability to achieve the anticipated benefits of the Acquisition.

### ***Integration of SEA***

Although the Company expects to realize certain benefits as a result of the Acquisition, there is a possibility that, following the Acquisition, the Company is unable to successfully integrate SEA into its operations in order to realize the anticipated benefits of the Acquisition or may be unable to do so within the anticipated timeframe.

The Company expects to implement certain operational improvements and cost-savings initiatives following the completion of the Acquisition. Any cost-savings that the Company realizes from such efforts may differ materially from the Company's estimates. In addition, any cost-savings that the Company realizes may be offset, in whole or in part, by reductions in revenues or through increases in other expenses. The Company's operational improvements and cost-savings plans are subject to numerous risks and uncertainties that may change at any time.

To effectively integrate SEA into its current operations, Exro must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to SEA. These efforts together with the ongoing integration following the Acquisition, will require substantial attention from Exro's management. This diversion of management attention, as well as any other difficulties which Exro may encounter in completing the Acquisition and integration process, could have an adverse effect on Exro's business, financial condition, results of operations and cash flows. There can be no assurance that Exro will be successful in integrating SEA's operations or that the expected benefits of the Acquisition will be realized.

### ***Litigation and Public Attitude towards the Acquisition***

The Company may be exposed to increased litigation from customers, suppliers, shareholders, or other third-parties in connection with the Acquisition. Such litigation may have an adverse impact on the Company's business and results of operations or may cause disruptions to the Company's operations. Even if any such claims are without merit, defending against these claims can result in substantial costs and divert the time and resources of management.

Furthermore, public attitudes towards the Acquisition could result in negative press coverage and other adverse public statements affecting the Company. Adverse press coverage and other adverse statements could negatively impact the ability of the Company to achieve the benefits of the Acquisition or take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### ***Acquisition and Related Costs***

The Company expects to incur significant costs associated with completing the Acquisition and integrating the operations of Exro and SEA. The substantial majority of such costs will be non-recurring expenses resulting from the Acquisition and will consist of transaction costs related to the Acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of Exro and SEA's respective businesses and such costs, if incurred, may have a negative effect on the Company's business, operations and financial performance and cash flows.

### **Historical Financial Information**

The historical financial information relating to SEA included in this Prospectus Supplement, including such information used to prepare the Exro Pro Forma Financial Information, has been derived on a historical basis from the historical accounting records of SEA. The historical financial information may not reflect what SEA's financial position, results of operations or cash flows would have been had the Company owned all of the membership interests in SEA during the period presented or what the Company's financial position, results of operations or cash flows will be in the future. The historical financial information does not contain any adjustments to reflect changes that may occur in the Company's cost structure, financing and operations as a result of the Acquisition.

### **Risks Related to SEA's Business**

Please refer to "*Information Concerning SEA – Risk Factors*" in "*Schedule "A" – Information Concerning SEA*" for a discussion of material risks relating to SEA.

### **ENFORCEABILITY OF JUDGEMENT AGAINST FOREIGN PERSONS**

The following directors and officers of the Company reside outside of Canada and have appointed the following agent(s) for service of process:

<b>Names of Persons</b>	<b>Name and Address of Agent</b>
Sue Ozdemir Terence Bryce Johnsson Rodney Copes Aleksandra Miziolek Frank Simpkins Anita Ganti	152928 Canada Inc. c/o Stikeman Elliott LLP Suite 1700, 666 Burrard Street Vancouver, BC V6C 2X8

Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

### **LEGAL MATTERS**

Certain legal matters in connection with the distribution of Common Shares under this Prospectus Supplement will be passed upon on behalf of the Company by Stikeman Elliott LLP. As of the date of this Prospectus Supplement, partners and associates of Stikeman Elliott LLP as a group beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company.

### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

The auditor of the Company is PricewaterhouseCoopers LLP at its office in 111 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 5L3. PricewaterhouseCoopers LLP has confirmed that it is independent of the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Alberta.

Our transfer agent and registrar is Odyssey Trust Company at its office in Calgary at Stock Exchange Tower, 1230 – 300 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 3C4.

The auditor of SEA is BDO USA, P.C. at its office in 2600 W. Big Beaver Road, Suite 600, Troy, Michigan 48084. BDO USA, P.C. has 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.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## **CONTRACTUAL RIGHT OF RESCISSION**

The Company has granted to each holder of a Subscription Receipt a contractual right of rescission of the prospectus-exempt transaction under which the Subscription Receipt was initially acquired. The contractual right of rescission provides that if a holder of a Subscription Receipt who acquires Common Shares on the automatic conversion of the Subscription Receipts as described in this Prospectus Supplement is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the Prospectus Supplement or an amendment to the Prospectus Supplement containing a misrepresentation, (a) the holder is entitled to rescission of both the holder's conversion of its Subscription Receipt and the Offering under which the Subscription Receipt was initially acquired, (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Underwriters or the Company, as the case may be, on the acquisition of the Subscription Receipt, and (c) if the holder is a permitted assignee of the interest of the original Subscription Receipt subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Subscription Receipts may have at law.

**SCHEDULE "A"**  
**INFORMATION CONCERNING SEA**

References in this Schedule "A" to "we", "us", or "our" are defined as "SEA", including its successors.

**Corporate Structure**

SEA was incorporated in the State of Delaware in 2022 under the Delaware General Corporation Law after having developed electric power-system technology adaptable to 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.

SEA owns 100% of the voting interests of the subsidiaries listed below 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.

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

**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 OEM glider chassis platforms from Class 3 to Class 8 (3.5 tonnes to 29 tonnes). SEA initially deployed products in Australia and New Zealand and since 2021 SEA has been selling its SEA-Drive® power-system in the U.S. SEA has also deployed a small number of products with the SEA-Drive® power-system in Canada, Thailand, Indonesia, India and South Africa to test market acceptance. In fiscal year ended June 30, 2023 and fiscal year ended June 30, 2022, revenue at SEA was \$17.1 million and \$6.9 million, respectively. In fiscal year 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 TCO.

Please refer to the "Risk Factors Related to SEA's Business" below in this Schedule "A".



**Products and Services**

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

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

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

Products	Features
SEA-Drive® power-system	<ul style="list-style-type: none"> <li>● The SEA-Drive® power-system is designed to support a wide range of vehicle weights and usage requirements through the combination of different battery capacities and motor sizes. The system uses a common suite of software, which have been designed and patented by SEA, along with other components.</li> <li>● Key differentiators that contribute to the efficiency, performance and cost of the power-system:               <ul style="list-style-type: none"> <li>○ software centrally controls all the key electrical components to better calibrate draw of power;</li> <li>○ the power output of the batteries is managed by the vehicle controller to eliminate the need of liquid thermal management.</li> <li>○ ability to mix battery capacity and motor size to better optimize performance and cost;</li> <li>○ mid-mounted batteries for improved safety;</li> <li>○ 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</li> <li>○ on-board charging that supports both Alternating Current ("AC") and Direct Current ("DC") charging.</li> </ul> </li> </ul>
SEA-Drive® power-system 120a	<ul style="list-style-type: none"> <li>● 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</li> <li>● 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.</li> <li>● 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.</li> </ul>

SEA-Drive® power-system 120b	<ul style="list-style-type: none"> <li>• The SEA-Drive® power-system 120b: <ul style="list-style-type: none"> <li>○ includes a battery pack of 138 kWh and a motor of 3500Nm;</li> <li>○ can be used with Class 5 through 7 vehicles (GVWR of up to 33,000lbs);</li> <li>○ delivers a class-leading range of up to 130 miles to 150 miles (unladen); and</li> <li>○ is suitable for step vans, Class 6/7 commercial vehicles and school buses.</li> </ul> </li> </ul>
SEA-Drive® power-system 180b	<ul style="list-style-type: none"> <li>• The SEA-Drive® power-system 180b: <ul style="list-style-type: none"> <li>○ includes battery pack of 220 kWh and motor of 3500Nm;</li> <li>○ can be used with Class 6/7 (GVWR of up to 33,000lbs),</li> <li>○ delivers a class-leading range of up to 130-150 miles (unladen); and</li> <li>○ is suitable for step vans, Class 7 commercial vehicles, school bus and garbage trucks.</li> </ul> </li> </ul>
SEA-Drive® power-system 70-7 (Australia)	<ul style="list-style-type: none"> <li>• The SEA-Drive® power-system 70-7: <ul style="list-style-type: none"> <li>○ features maximum power and torque ratings of 134kW and 700Nm;</li> <li>○ used in the SEA 300-45 EV model, and</li> <li>○ is capable of 10,000lbs gross vehicle mass and being driven on a car license.</li> </ul> </li> </ul>
SEA-Drive® power-system 100 (Australia)	<ul style="list-style-type: none"> <li>• The SEA-Drive® power-system 100: <ul style="list-style-type: none"> <li>○ includes a battery pack of 100kWh;</li> <li>○ motors are either 1000Nm or 1500Nm; and</li> <li>○ used in the SEA-85 EV model.</li> </ul> </li> </ul>
SEA-Drive® power-system 250 (Australia and U.S.)	<ul style="list-style-type: none"> <li>• The SEA-Drive® power-system 250: <ul style="list-style-type: none"> <li>○ includes battery pack of 220kWh and motor of 6200Nm;</li> <li>○ is suitable for use with either 4x2 or 6.2 axle configurations with a gross vehicle mass range up to 50,000lbs; and</li> <li>○ is suitable for applications such as freight services, refrigerated food, elevated work platform and refuse trucks.</li> </ul> </li> </ul>

### **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.

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

1. SEA's commercialization commenced in Australia in 2017 following about six years of development of the SEA-Drive® power-system. 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. (a Volvo Company) 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 will work with both Hino and Mack separately to commence assembly of vehicles for sale through their respective dealer networks.

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. 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 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 in 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.

## ***Research and Development***

SEA believes that a strong research and development ("**R&D**") focus is mandatory to sustain a leadership position in its market. 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;
2. Research on range extenders and fuel cells;
3. Battery research on evolving technologies and new manufacturing entrants in the U.S. and Canadian markets;
4. Telematics innovation;
5. Development of SD250 for Class 8;
6. Continuing development of ZEV airplane re-fueller in Australia and other markets;
7. Continuing development of ZEV mining vehicles (including additional vehicle types);
8. Development of the SEA-Drive® 430 with hydrogen fuel cell capability;
9. Continuing work with Toyota on the Innova ZEV vehicle in Indonesia; and
10. Development of Hino ZEV for 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 and India. SEA has registered trademarks for key components, including the SEA-Drive® power-system.

This Schedule "A" 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 Schedule "A" 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 Schedule "A" 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 e-propulsion power-system that provides improved TCO: 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 multiple OEM relationships at this time;
- OEM partners' willingness to share automotive engineering and testing expertise;
- OEM-level vehicle durability testing completed;
- 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.

### **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 12% of 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.

### **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.

### **Risk Factors**

*Management of SEA believes that the risks described below are the material risks relating to SEA as at the date of this Prospectus Supplement, 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 this Prospectus Supplement, or that SEA deems to be immaterial as at the date of this Prospectus Supplement, may also have an adverse effect on its business.*

### **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 efficiently design, assemble, market, sell, distribute and service our zero-emission powertrains and services under an optimized cost structure, our margins, potential profitability and prospects could be 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.

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 cyclical 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 Acquisition 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 Acquisition or to enforcement proceedings commenced against us to attempt to force us to perform our respective obligations under the Merger Agreement.

#### **Risks Related to Manufacturing and Supply Chain**

***We have experienced and may in the future experience significant delays in the design, manufacture, launch and financing of our ZEVs and zero-emission powertrains, which could harm our business and prospects.***

We rely on third-party suppliers for the provision and development of many of the key components and materials used in our products. To the extent our suppliers experience any delays in providing us with or developing necessary components, we could experience delays in delivering on our timelines, or be forced to seek alternative suppliers. If a work stoppage occurs within our business, or in one of our key suppliers, it could delay the manufacture and sale of our coil driver and battery control products and have a material adverse effect on our business, prospects, operating results and financial condition.

***We are dependent on our suppliers, including battery manufacturers, some of which are single or limited source suppliers, and the inability of these suppliers to deliver the necessary components of our zero-emission powertrains at prices, quality, volumes, and specifications acceptable to us, could have a material adverse effect on our business, prospects, financial condition and operating results.***

We rely on third-party suppliers for the provision and development of many of the key components and materials used in our zero-emission powertrains. While we strive to obtain components from multiple sources whenever possible, some of the components used in our zero-emission powertrains are purchased by us from a single source. If our suppliers experience substantial financial difficulties, cease operations, experience supply chain disruptions or otherwise face business disruptions, we may experience production disruptions, which would have an adverse impact on our business and results of operations.

***Increases in costs, global and regional economic conditions, disruption of supply or shortage of raw materials could harm our business.***

We may experience increases in the cost of or a sustained interruption in the supply or shortage of raw materials, which may particularly affect our zero-emission powertrains. Any such cost increase, supply interruption or shortage could materially negatively impact our business, prospects, financial condition and operating results. Inflation may continue in the future to be rampant, resulting in higher commodity costs.

Furthermore, fluctuations or shortages in petroleum from market uncertainties, global conflicts, including between Russia and Ukraine and Israel and Hamas, and other economic conditions may cause us to experience significant increases in freight charges and raw material costs or for our supply chains to be disrupted. Increases in the prices for our raw materials would increase our operating costs to the extent that we do not have firm pricing from our suppliers or our suppliers are not able to honor such prices, and could reduce our margins if the increased costs cannot be recouped.

***Climate change issues or natural disasters may impact our operations.***

Climate change or natural disasters may exacerbate certain of the risks inherent in our manufacturing operations and supply chain. Climate change could result in increasing frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages and changing temperatures that may result in physical damage to our manufacturing facility or those of our suppliers and customers. Such damage may result in disrupted operations, and it may be difficult for us to continue business for a substantial period of time, which could materially adversely impact our business, financial condition or operating results. Furthermore, severe weather incidences may cause us to incur substantial extraordinary costs, including: costs to respond during the event, to recover from the event and to possibly modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt our operations by impacting the availability and costs of materials needed for production and could increase insurance and other operating costs.

***If our zero-emission powertrains fail to perform as expected or contain defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.***

Our zero-emission powertrains are complex and may contain defects in design and manufacture that may cause them not to perform as expected or may require repair. Our zero-emission powertrains also may not perform consistent with customers' expectations or consistent with other powertrains which may become available. There can be no assurance that we will be able to detect and fix any defects in the powertrains' hardware or software prior to commencing customer sales. Some defects may only be discovered after ZEVs have shipped to end users. Failure of our ZEVs to perform to specifications, or other product defects, could lead to substantial damage to sales of our customers vehicles. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write off the value of related inventory, cause us to lose market share, and divert the attention of our personnel from our product development efforts to find and correct the issue. In addition, an error or defect in our products after commencement of commercial



shipments could result in failure to achieve market acceptance, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Furthermore, all products sold must comply with federal, state and provincial motor vehicle safety standards. In both Canada and the United States vehicles that meet or exceed all federally mandated safety standards are certified under the federal regulations. In this regard, Canadian and U.S. motor vehicle safety standards are substantially the same. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Failure by us to have our current or future products satisfy motor vehicle standards would have a material adverse effect on our business and operating results.

***Insufficient warranty reserves to cover warranty claims could materially adversely affect our business, prospects, financial condition and operating results.***

We provide a manufacturer's warranty on zero-emission powertrains we sell. We maintain warranty reserves to cover warranty-related claims. If our warranty reserves are inadequate to cover warranty claims on our ZEVs or zero-emission powertrains, our business, prospects, financial condition and operating results could be materially and adversely affected. We may become subject to significant and unexpected warranty expenses. There can be no assurances that then-existing warranty reserves will be sufficient to cover all claims.

***Our suppliers rely on production facilities with complex machinery for our production, which involves a significant degree of risk and uncertainty in terms of operational performance and costs.***

Our suppliers may rely on complex machinery for the production of components used in our zero-emission powertrains. This can involve a significant degree of uncertainty and risk in terms of operational performance and costs. The facilities of our suppliers consist of large-scale machinery combining many components. These components may suffer unexpected malfunctions from time to time and will depend on repairs and spare parts to resume operations, which may not be available when needed.

***SEA is exposed to fluctuations in currency exchange rates that could negatively impact SEA's business and financial result.***

Because a portion of SEA's business is conducted outside of Canada, SEA faces exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, which could adversely affect SEA's business and financial results.

#### **Risks Related to Intellectual Property**

***We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and cause us to incur substantial costs.***

Companies, organizations or individuals, including our competitors, may own or obtain patents, trademarks or other proprietary rights that would prevent or limit our ability to make, use, develop or sell our zero-emission powertrains, which could make it more difficult for us to operate our business. We have received, and may in the future receive, inquiries from patent or trademark owners inquiring whether we infringe their proprietary rights. Companies owning patents or other intellectual property rights relating to zero-emission powertrains may allege infringement of such rights. In response to a determination that we have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease development, sales, or use of zero-emission powertrains that incorporate the asserted intellectual property;
- pay substantial damages;
- obtain a license from the owner of the asserted intellectual property right, which license may not be available on reasonable terms or at all; or

- redesign one or more aspects or systems of our zero-emission powertrains.

From time to time, the holders of such intellectual property rights may assert their rights and urge us to take licenses, and/or may bring suits alleging infringement or misappropriation of such rights. We may consider the entering into licensing agreements with respect to such rights, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur, and such licenses could significantly increase our operating expenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease making, selling or incorporating certain components or intellectual property into the goods and services we offer, to pay substantial damages and/or license royalties, to redesign our products and services, and/or to establish and maintain alternative branding for our products and services.

A successful claim of infringement against us could materially adversely affect our business, prospects, operating results and financial condition. Any litigation or claims, whether valid or invalid, could result in substantial costs and diversion of resources.

We may license software and other technology from time to time. Our use of licensed technology may infringe on the rights of one or more third parties. In such cases, we will seek indemnification from our licensors. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses.

***Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties.***

Failure to adequately establish and protect our intellectual property rights could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue which would adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our and our collaborators' ability to protect our core technology and intellectual property. To accomplish this, we will rely on a combination of trade secrets (including know-how), patents, employee and third-party nondisclosure agreements, copyright, trademarks, intellectual property licenses and other contractual rights to establish and protect our rights in our technology.

The protection of our intellectual property rights will be important to our future business opportunities. However, the measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- any future patent applications we submit may not result in the issuance of patents;
- the scope of our issued patents may not be broad enough to protect our proprietary rights;
- our issued patents may be challenged and/or invalidated by our competitors;
- we may not be the first inventor of the subject matter to which we have filed a particular patent application, and we may not be the first party to file such a patent application;
- patents have a finite term, and competitors and other third parties may offer identical or similar products after the expiration of our patents that cover such products;
- our employees or business partners may breach their confidentiality, non-disclosure and non-use obligations to us;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impractical;

- third-parties may independently develop technologies that are the same or similar to ours;
- current and future competitors may circumvent our patents; and
- in-licensed patents may be invalidated, or the owners of these patents may breach our license arrangements.

Patent, trademark, and trade secret laws vary significantly throughout the world. Some foreign countries do not protect intellectual property rights to the same extent as do the laws of Canada and the United States. Further, policing the unauthorized use of our intellectual property in foreign jurisdictions may be difficult. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of Canada or the United States.

Litigation may also be necessary to enforce patents issued or licensed to us or our collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

Also, while we have registered trademarks in an effort to protect our investment in our brand and goodwill with customers, competitors may challenge the validity of those trademarks and other brand names in which we have invested. Such challenges can be expensive and may adversely affect our ability to maintain the goodwill gained in connection with a particular trademark.

### **Risks Related to Cybersecurity and Data Privacy**

***Breaches in data security, failure of information security systems and privacy concerns could adversely impact our financial condition, subject us to penalties, damage our reputation and brand, and harm our business, prospects, financial condition, results of operations, and cash flows.***

We collect, transmit and store confidential and personal and sensitive information of our employees and customers, including names, accounts, user IDs and passwords, vehicle information, and payment or transaction related information. We are also subject to certain laws and regulations, such as "Right to Repair" laws, that require us to provide third-party access to our network and/or vehicle systems.

Increasingly, companies are subject to a wide variety of attacks on their networks and information technology infrastructure on an ongoing basis. Traditional computer "hackers," malicious code (such as viruses and worms), phishing attempts, employee theft or misuse, denial of service attacks, ransomware attacks and sophisticated nation-state and nation-state supported actors engage in intrusions and attacks that create risks for our (and our suppliers') internal networks, vehicles, infrastructure, and cloud deployed products and the information they store and process. Although we have implemented security measures to prevent such attacks, our networks and systems may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and as a result, an unauthorized party may obtain access to our systems, networks, or data.

We may face difficulties or delays in identifying or otherwise responding to any attacks or actual or potential security breaches or threats. A breach in our data security could create system disruptions or slowdowns and provide malicious parties with access to information stored on our networks, resulting in data being publicly disclosed, altered, lost, or stolen, which could subject us to liability and adversely impact our financial condition. Further, any breach in our data security could allow malicious parties to access sensitive

systems, such as our product lines and the vehicles themselves. Such access could adversely impact the safety of our employees and customers.

In addition, we may incur significant financial and operational costs to investigate, remediate and implement additional tools, devices and systems designed to prevent actual or perceived security breaches and other security incidents, as well as costs to comply with any notification obligations resulting from any security incidents. Any of these negative outcomes could adversely impact the market perception of our products and customer and investor confidence in our company, and would materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

***Any unauthorized control or manipulation of our zero-emission powertrains' systems could result in loss of confidence in us, ZEVs and our zero-emission powertrains and harm our business.***

We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks, our zero-emission powertrains and related systems. However, hackers have attempted and may attempt to gain unauthorized access to modify, alter and use such networks, powertrains and systems to gain control of or to change our powertrains' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the powertrain. Future vulnerabilities could be identified and our efforts to remediate such vulnerabilities may not be successful. Any unauthorized access to or control of our powertrains or their systems, or any loss of customer data, could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our powertrains, systems or data, as well as other factors that may result in the perception that our powertrains, systems or data are capable of being "hacked," could negatively affect our brand and harm our business, prospects, financial condition and operating results.

***We retain certain personal information about our customers, employees or others and may be subject to various privacy laws.***

We are subject to or affected by a number of federal, state, provincial and local laws and regulations, as well as contractual obligations and industry standards, that impose certain obligations and restrictions with respect to data privacy and security, and govern our collection, storage, retention, protection, use, processing, transmission, sharing and disclosure of personal information including that of our employees, customers and others. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. Such laws may be inconsistent or may change or additional laws may be adopted. In addition, our agreements with certain customers may require us to notify them in the event of a security breach. Such mandatory disclosures are costly, could lead to negative publicity, result in penalties or fines, result in litigation, may cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach.

The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. We may not be able to monitor and react to all developments in a timely manner.

We collect, store, transmit and otherwise process data from customers, employees and others as part of our business and operations, which may include personal data or confidential or proprietary information. We also work with partners and third-party service providers or vendors that collect, store and process such data on our behalf. There can be no assurance that any security measures that we or our third-party service providers or vendors have implemented will be effective against current or future security threats. If a compromise of data were to occur, we may become liable under our contracts with other parties and under applicable law for damages and incur penalties and other costs to respond to, investigate and remedy such an incident. Our systems, networks and physical facilities could be breached or personal information could otherwise be compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our employees or our customers to disclose information or usernames and/or

passwords. Third parties may also exploit vulnerabilities in, or obtain unauthorized access to, platforms, systems, networks and/or physical facilities utilized by our service providers and vendors.

We use our electronic systems to log information about each vehicle's use in order to aid us in vehicle telematics, diagnostics, repair and maintenance. Our customers may object to the use of this data, which may increase our vehicle maintenance costs and harm our business prospects. Possession and use of our customers' information in conducting our business may subject us to legislative and regulatory burdens in the United States and other jurisdictions that could require notification of data breaches, restrict our use of such information and hinder our ability to acquire new customers or market to existing customers. The regulatory framework for data privacy and security is rapidly evolving, and we may not be able to monitor and react to all developments in a timely manner. As legislation continues to develop, we will likely be required to expend significant additional resources to continue to modify or enhance our protective measures and internal processes to comply with such legislation. Non-compliance or a major breach of our network security and systems could have serious negative consequences for our business and future prospects, including possible fines, penalties and damages, reduced customer demand for our ZEVs, and harm to our reputation and brand.

### **Risks Related to Litigation and Regulation**

***We operate in a highly regulated industry, and if we fail to comply with applicable regulations we could face fines and penalties that could negatively impact our reputation and our financial results; in addition, future regulations applicable to us or our suppliers could increase costs and could substantially harm our business and operating results.***

Our zero-emission powertrains, and the sale of electric motor vehicles in general, are subject to substantial regulation under international, federal, state, provincial and local laws. We continue to evaluate requirements for licenses, approvals, certificates and governmental authorizations necessary to manufacture, sell or service our electrified powertrain solutions in the jurisdictions in which we plan to operate and intend to take such actions necessary to comply. We may experience difficulties in obtaining or complying with various licenses, approvals, certifications and other governmental authorizations necessary to manufacture, sell or service their electrified powertrain solutions in any of these jurisdictions. For instance, our electrified powertrain solutions may not be readily classified into categories by governmental agencies. If we or our suppliers are unable to obtain or comply with any of the licenses, approvals, certifications or other governmental authorizations necessary to carry out our operations in the jurisdictions in which we currently operate, or those jurisdictions in which we plan to operate in the future, our business, prospects, financial condition and operating results could be materially adversely affected. We expect to incur significant costs in complying with these regulations. For example, if the battery packs installed in our electrified powertrain solutions are deemed to be transported, we will need to comply with the mandatory regulations governing the transport of "dangerous goods," and any deficiency in compliance may result in us being prohibited from selling our electrified powertrain solutions until compliant batteries are installed. Regulations related to the electric vehicle industry and alternative energy are currently evolving and we face risks associated with changes to these regulations, including but not limited to:

- increased subsidies for corn and ethanol or soy and biodiesel production, which could reduce the operating cost of vehicles that use ethanol or biodiesel, or a combination of renewable and petroleum fuels;
- increased support for other alternative fuel systems, which could have an impact on the acceptance of our electric powertrain system; and
- increased sensitivity by regulators to the needs of established automobile manufacturers with large employment bases, high fixed costs and business models based on the internal combustion engine, which could lead them to pass regulations that could reduce the compliance costs of such established manufacturers or mitigate the effects of government efforts to promote alternative fuel vehicles.

To the extent that laws or regulations change, electric powertrains may not comply with applicable international, federal, state, provincial or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected. Further, delays, reduction, or elimination of applicable international, federal, or state laws or regulations requiring or incentivizing reductions in emissions of greenhouse gases or other pollutants from internal combustion engines or requiring or incentivizing manufacturers to offer for sale increasing numbers of ZEVs may result in the diminished competitiveness of the alternative fuel and electric vehicle industry generally. This could materially and adversely affect the growth of the electric vehicle markets and our business, prospects, financial condition and operating results.

***We may not have adequate insurance coverage for possible claims, lawsuits, product recalls or other damages claims made against us.***

The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

***The unavailability, reduction or elimination of government and economic incentives could have a material adverse effect on our business, prospects, financial condition and operating results.***

Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of the electric vehicle industry or other reasons may result in the diminished competitiveness of the electric vehicle industry generally. This could materially and adversely affect the growth of our business, prospects, financial condition and operating results.

While certain subsidies, rebate vouchers, tax credits and other incentives for alternative energy production and electric vehicles have been available in the past, there is no guarantee these incentives will be available in respect of our vehicles or otherwise to our customers in the future, on the same terms and conditions or at all. The unavailability, reduction, discriminatory application or elimination of current governmental programs, subsidies or incentives could significantly affect our ability to market or sell our products or materially adversely affect our business, results of operations or financial condition. As federal, state, provincial or local legislation related to electric vehicles or data protection continues to develop, we will likely be required to expend significant additional resources to continue to modify or enhance our products, protective measures and internal processes to comply with such legislation.

In particular, we are influenced by federal, state, provincial and local tax credits, rebates, grants and other government programs. Lawmakers, regulators, policymakers, environmental or advocacy organizations, OEMs, trade groups, suppliers or other groups may invest significant time and money in efforts to delay, repeal or otherwise negatively influence regulations and programs that promote electric vehicles. Many of these parties have substantially greater resources and influence than we do. Further, changes in federal, state, provincial or local political, social or economic conditions, including a lack of legislative focus on these programs and regulations, could result in their modification, delayed adoption or repeal. Any failure to adopt, delay in implementation, expiration, repeal or modification of these programs and regulations, or the adoption of any programs or regulations that encourage the use of other alternative fuels or alternative vehicles over electric vehicles, would reduce the market for electrified powertrains and harm our operating results, liquidity and financial condition. If these economic incentives or regulatory programs are reduced, eliminated or never finalized and enacted, there could be a reduction in demand for ZEVs, which could have a material adverse effect on our business, prospects, financial condition and operating results.

***We may in the future be, subject to lawsuits or indemnity claims in the ordinary course of business, including product liability claims and securities litigation resulting in possible class action and***

***derivative lawsuits, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.***

Lawsuits, including a product liability claim, could result in substantial damages and be costly and time-consuming for us to defend. Under certain circumstances, our customers may be required to recall or withdraw the products incorporating our technology. Even if a situation does not necessitate a recall or market withdrawal, product liability claims may be asserted against us. Moreover, a product liability claim against us or our competitors could generate substantial negative publicity about us, our products and our business and could have a material adverse effect on our brand, business, prospects, financial condition and operating results. We may self-insure against the risk of product liability claims for vehicle exposure, meaning that any product liability claims will likely have to be paid from company funds, not by insurance.

***Product recalls could materially adversely affect our business, prospects, operating results and financial condition.***

We have, and may in the future, voluntarily or involuntarily, initiate a recall if any of our powertrain components, such as wiring or batteries, prove to be defective or noncompliant with applicable federal motor vehicle safety standards. If a large number of vehicles are the subject of a recall or if needed replacement parts are not in adequate supply, we may not be able to re-deploy recalled vehicles for a significant period of time. Such recalls involve significant expense and diversion of management attention and other resources, which could adversely affect our brand image in our target markets, as well as our business, prospects, financial condition and results of operations.

***We are subject to various environmental laws and regulations that could impose substantial costs upon us and give rise to liabilities.***

Our operations are and will continue to be subject to federal, state, provincial and/or local environmental laws and regulations, including laws relating to water use; air emissions; use of recycled materials; energy sources; the protection of human health and the environment; and the use, handling, storage, disposal and human exposure to hazardous materials. Environmental and health and safety laws and regulations can be complex, and we expect that we will be affected by future amendments to such laws or other new environmental and health and safety laws and regulations which may require us to change our operations, potentially resulting in a material adverse effect on our business, prospects, financial condition, and operating results. Violations of these laws, regulations, and permits, certificates and registrations can give rise to liability for administrative oversight and correction costs, clean-up costs, property damage, bodily injuries 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.



**SCHEDULE "B"**  
**HISTORICAL FINANCIAL STATEMENTS OF SEA**

# **SEA Electric Inc.**

## **Consolidated Interim Financial Statements**

**Three and Six Months Ended December 31, 2023  
and 2022**

**(Unaudited)**

# SEA Electric Inc.

## Contents

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### SEA Electric Inc.

#### Consolidated Interim Financial Statements

Three and six months ended December 31, 2023 and 2022  
(Unaudited)

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**SEA Electric Inc.**  
**Consolidated Interim Balance Sheets**  
(Unaudited - in U.S. dollars)

	Dec 31, 2023	June 30, 2023
<b>Assets</b>		
<b>Current Assets</b>		
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
<b>Total Current Assets</b>	<b>\$ 22,984,666</b>	<b>\$ 17,700,714</b>
<b>Non-Current Assets</b>		
Property and equipment, net	974,227	1,143,005
Operating lease right-of-use assets, net	1,972,436	1,954,597
<b>Total Non-Current Assets</b>	<b>2,946,663</b>	<b>3,097,602</b>
<b>Total Assets</b>	<b>\$ 25,931,329</b>	<b>\$ 20,798,316</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
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
<b>Total Current Liabilities</b>	<b>\$ 47,845,158</b>	<b>\$ 35,492,808</b>
<b>Non-Current Liabilities</b>		
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
<b>Total Non-Current Liabilities</b>	<b>\$ 32,845,691</b>	<b>\$ 22,857,802</b>
<b>Total Liabilities</b>	<b>\$ 80,690,849</b>	<b>\$ 58,350,610</b>
<b>Stockholders' Equity</b>		
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)
<b>Total Stockholders' Equity</b>	<b>\$ (54,759,520)</b>	<b>\$ (37,552,294)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 25,931,329</b>	<b>\$ 20,798,316</b>

*See accompanying notes to consolidated interim financial statements.*

## SEA Electric Inc.

### Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited - in U.S. dollars)

	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenue</b>	\$ 3,350,570	\$ 6,299,811	\$ 7,211,847	\$ 12,029,850
<b>Operating Expenses</b>				
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)
<b>Total Operating Expenses</b>	(11,496,296)	(15,547,518)	(22,984,418)	(31,981,946)
<b>Loss from Operations</b>	(8,145,726)	(9,247,707)	(15,772,571)	(19,952,096)
Interest Expense	(1,406,136)	(462,217)	(2,820,889)	(824,434)
<b>Loss before income taxes</b>	(9,551,862)	(9,709,924)	(18,593,460)	(20,776,530)
Income Tax Provision	-	-	-	-
<b>Net Loss</b>	(9,551,862)	(9,709,924)	(18,593,460)	\$ (20,776,530)
<b>Other Comprehensive Income (Loss)</b>				
Foreign currency translation adjustments	1,698,506	(839,785)	1,386,234	(835,851)
<b>Total Comprehensive Loss</b>	\$ (7,853,356)	\$ (10,549,709)	\$ (17,207,226)	\$ (21,612,381)

*See accompanying notes to consolidated interim financial statements.*

# SEA Electric Inc.

## Consolidated Interim Statements of Stockholders' Equity (Unaudited - in U.S. dollars)

	Six months ended December 31, 2023								
	Series A Preferred Shares		Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Amount				
Balance, June 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (2,209,344)	\$ (108,044,423)	\$ (37,552,294)	
Net loss	-	-	-	-	-	-	(18,593,460)	(18,593,460)	
Foreign currency translation adjustment	-	-	-	-	-	1,386,234	-	1,386,234	
Total Comprehensive Loss	-	-	-	-	-	1,386,234	(18,593,460)	(17,207,226)	
Balance, December 31, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (823,110)	\$ (126,637,883)	\$ (54,759,520)	

  

	Six months ended December 31, 2022								
	Series A Preferred Shares		Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Amount				
Balance, June 30, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (2,774,697)	\$ (68,410,078)	\$ 1,516,698	
Net loss	-	-	-	-	-	-	(20,776,530)	(20,776,530)	
Foreign currency translation adjustment	-	-	-	-	-	(835,851)	-	(835,851)	
Total Comprehensive Loss	-	-	-	-	-	(835,851)	(20,776,530)	(21,612,381)	
Balance, December 31, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (3,610,548)	\$ (89,186,608)	\$ (20,095,683)	

See accompanying notes to consolidated interim financial statements.

## SEA Electric Inc.

### Consolidated Interim Statements of Cash Flows (Unaudited - in U.S. dollars)

<i>Six Months Ended December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
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)
<b>Net Cash Used in Operating Activities</b>	<b>(8,713,748)</b>	<b>(15,351,588)</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(66,609)	(150,723)
<b>Net Cash Used in Investing Activities</b>	<b>(66,609)</b>	<b>(150,723)</b>
<b>Cash Flows from Financing Activities:</b>		
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
<b>Net Cash Provided by Financing Activities</b>	<b>9,989,872</b>	<b>6,958,669</b>
Effect of Exchange Rate on Cash	(269,842)	(139,560)
<b>Net Change in Cash</b>	<b>939,673</b>	<b>(8,683,202)</b>
<b>Cash, beginning of period</b>	<b>1,432,326</b>	<b>10,011,935</b>
<b>Cash, end of period</b>	<b>\$ 2,371,999</b>	<b>\$ 1,328,733</b>

*See accompanying notes to consolidated interim financial statements.*

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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### 1. Description of Business and Summary

SEA Electric Inc. (the Company) is a corporation formed on May 31, 2022, under the laws of Delaware in the United States of America. The Company is the parent entity of a number of subsidiaries including the previous parent entity SEA Electric Holdings Pty Ltd. (Holdings). Holdings was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporations Act 2001. Its registered office is located at 1/13 Advantage Dr, Dandenong South VIC 3175, Australia.

On May 31, 2022, Holdings executed its plan to re-domicile from Australia to the United States of America (the Re-domiciliation). Holdings implemented a plan whereby SEA Electric Inc., a newly formed incorporated company for the purpose of effecting the Re-domiciliation, acquired all the outstanding shares of Holdings. Holdings' shareholders received one SEA Electric Inc. share for every one share of Holdings in the Re-domiciliation. Option holders of Holdings also received new options in SEA Electric Inc. in the same proportion to their existing holdings. The term "Company" refers to (i), prior to the Re-domiciliation, Holdings (an Australian corporation) and its subsidiaries and (ii), following the Re-domiciliation, SEA Electric Inc. (a Delaware corporation) and its subsidiaries. The re-domicile was accounted for as an internal reorganization of entities under common control and did not result in a change in shareholders or their respective ownership percentages.

The Company is an automotive technology company that has created proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world's urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

The Company's fiscal year-end is June 30.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

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

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

#### *Going Concern*

The Company's consolidated interim financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the six months ended December 31, 2023, and 2022, the Company reported a consolidated net loss of \$18,593,460 and \$20,776,530, respectively and cash flows used in operating activities of \$8,713,748 and \$15,351,588, respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of these consolidated interim financial statements. These conditions raise substantial doubt about the Company's ability



# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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to continue as a going concern. In response to these conditions, the Company is in the process of attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

### ***Basis of Consolidation***

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

These consolidated interim financial statements include the accounts of the following entities, wholly owned by the Company as of December 31, 2023:

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

The entities listed above have been formed or acquired to support the intended operations of the Company.

### ***Use of Estimates and Significant Judgments***

The preparation of the Company's consolidated interim financial statements require management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated interim financial statements include the allowance for credit losses on trade receivables, inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment and intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, estimated variable consideration on contracts with customers, sales return estimates, and incremental borrowing rates and lease terms applicable to lease contracts.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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### Allowance for Credit Losses

The Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on our expectation as of the balance sheet date.

Assets are written off when the Company has determined that such financial assets are deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The allowance for credit losses on accounts receivable was \$175,925 and \$350,424 at December 31, 2023 and June 30, 2023.

### Research and Development Costs

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services.

### Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurement (ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

Level 1 - This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature. The carrying value of long-term loans and convertible debt approximates fair value, as demonstrated by the debt refinancing that took place in January 2024 (see Note 17).

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### *New Accounting Pronouncements Adopted During Fiscal Year Ended June 30, 2024*

In December 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Company to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

On July 1, 2023, the Company adopted the guidance prospectively, and elected not to restate comparative information. The effect on the Company consolidated interim financial statements was immaterial.

### 3. Inventory

Inventory consists of the following:

	Dec 31, 2023	June 30, 2023
Raw materials	\$ 13,858,573	\$ 9,610,539
Work-in-process	3,144,374	2,291,526
<b>Total Inventory</b>	<b>\$ 17,002,947</b>	<b>\$ 11,902,065</b>

### 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
<b>Total Prepaid Expenses and Other Current Assets</b>	<b>\$ 1,832,802</b>	<b>\$ 2,512,127</b>

Deposits consist primarily of advance payments made to suppliers of batteries and other components.

## SEA Electric Inc.

### Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

#### 5. Property and Equipment, Net

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

	Dec 31, 2023	June 30, 2023
Leaseholds and equipment	\$ 917,476	\$ 909,264
Furniture and equipment	506,524	507,044
Motor vehicles	766,628	761,968
Computer equipment	357,471	292,213
Computer software	228,162	225,796
<b>Total Property and Equipment</b>	<b>2,776,261</b>	<b>2,696,285</b>
Less: accumulated depreciation and amortization	(1,802,034)	(1,553,280)
<b>Property and Equipment, Net</b>	<b>\$ 974,227</b>	<b>\$ 1,143,005</b>

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
<b>Total Lease Expense</b>	<b>\$ 398,505</b>	<b>\$ 285,754</b>	<b>\$ 735,978</b>	<b>\$ 669,965</b>

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
<b>Assets:</b>		
ROU assets, net	\$ 1,972,436	\$ 1,954,597
<b>Total Lease Assets</b>	<b>\$ 1,972,436</b>	<b>\$ 1,954,597</b>
<b>Liabilities:</b>		
<b>Current Liabilities</b>		
Lease liabilities, current	\$ 243,983	\$ 243,983
<b>Non-Current Liabilities</b>		
Lease liabilities, net of current portion	1,897,134	1,877,631
<b>Total Lease Liabilities</b>	<b>\$ 2,141,117</b>	<b>\$ 2,121,614</b>

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### 7. Accrued Liabilities and Other Current Liabilities

Accrued liabilities and other current liabilities are comprised of the following items:

	Dec 31, 2023	June 30, 2023
Accruals	\$ 9,164,628	\$ 6,244,183
Taxes and social security payments	1,512,352	1,456,996
Annual and long-service leave payable	511,003	514,961
<b>Total Accrued Liabilities and Other Current Liabilities</b>	<b>\$ 11,187,983</b>	<b>\$ 8,216,140</b>

### 8. Convertible Notes

Convertible notes were \$17,000,000 at December 31, 2023 and June 30, 2023.

On June 29, 2022, the Company offered and issued \$10 million of convertible notes to four different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through Nov 30, 2024, the date at which unpaid principal and interest was due and payable.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

On July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes.

On November 10, 2022, the Company issued \$5 million convertible note to 4 investors under the same terms and conditions as the original convertible notes for \$10 million.

As discussed in Note 17, all of the convertible notes were refinanced in January 2024.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### 9. Loans Payable/Promissory Notes

Loans payable/promissory notes consisted of the following:

	Dec 31, 2023	June 30, 2023
Long-term promissory notes	\$ 30,000,000	\$ 20,000,000
Miscellaneous loans	104,109	111,075
<b>Total Loans Payable</b>	<b>\$ 30,104,109</b>	<b>\$ 20,111,075</b>

On February 23, 2023, the company received a long-term promissory note from a Series A investor (Vestcor) for \$20 million. As of June 30, 2023, \$20 million had been provided to the Company. An additional promissory note for \$10 million was approved on July 19, 2023. Total promissory notes as of December 31, 2023, were \$30 million with an interest rate of 12% accruing to the principle and repayment due on February 28, 2025, for the first \$20 million, and the additional \$10 million is due if the Company raises \$50 million of equity or July 31, 2024. The notes can be paid off prior to this date at the Company's option.

As discussed in Note 17, the \$30 million of promissory notes were refinanced in January 2024, and therefore, are presented as long-term on the consolidated interim balance sheet at December 31, 2023.

Miscellaneous loans payable consisted primarily of a U.S. 30-year long-term bank loan at December 31, 2023 and June 30, 2023. The 30-year long-term bank loan was entered into during 2020, and matures in December 2050. The interest rate charged on the loan is 3.75% with minimum repayment amounts of \$502 per month.

### 10. Warranty Provision

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components, and workmanship for three years or 100,000 kilometers, whichever occurs first. The Company accrues warranty related costs under standard warranty terms and for certain claims outside the contractual obligation period that it chooses to pay as accommodations to its customers.

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

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

*Six months ended December 31, 2023:*

Balance, June 30, 2023	\$ 869,096
Warranty expense / (claims)	(24,648)
<b>Balance, December 31, 2023</b>	<b>\$ 844,448</b>

*Six months ended December 31, 2022:*

Balance, June 30, 2022	\$ 269,450
Warranty expense / (claims)	(69,751)
<b>Balance, December 31, 2022</b>	<b>\$ 199,699</b>

### 11. Stockholders' Equity

#### *Common Shares*

The Company's certificate of incorporation authorized the Company to issue 12,500,000 shares of common stock with a par value of \$0.01. Holders of common stock are entitled to one vote in respect of each share held. All common shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with a consultant. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018, and provides three tranches of options, as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on June 30, 2028. On March 6, 2019, the consultant exercised their rights and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). In connection with the Re-domiciliation discussed in Note 1, the 110,973 options were exchanged for 94,063 common shares of the Company.

In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash. Any shares issued would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into one share of the Company at a price of \$40.20 (being the same price used in the Series A funding) and is valid for a period of six months following completion of a go-public transaction. In the event the market capitalization of the Company resulting from the go-public transaction exceeds \$650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in December 2026. In December 2021, 14,926 shares and 61,942 options were issued to VIII Capital. In connection with the Re-domiciliation discussed in Note 1, the options were exchanged for 61,942 options in the Company at the same exercise price of \$40.20 with the same maturity date of December 2026.

#### *Series A Preferred Shares*

On July 9, 2021, the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles LLC (MEV), a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for commercial vehicle and industrial markets located in Troy, Michigan. The agreement provided for MEV, which owns 83,333 shares of Series A Preferred Shares valued at \$60.00 per share, to have observer rights for the Company's board meetings. Invested funds were received in full on the date of signing the agreement.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company issued 62,500 Series A Preferred Shares at a price of \$80.00 per share in respect of this agreement.

On February 17, 2022, the Company raised \$10,200,000 through a Series A Funding round. The Company issued 127,500 Series A Preferred Shares at a price of \$80.00 per share. The Series A Preferred Shares are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

Series A Preferred Shares entitle the holder to same rights and privileges as the ordinary shares of the Company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferred Shares on an “as-converted basis.”
- The Company may also, but is not required to, declare and pay a dividend on the Series A Preferred Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preferred share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an “as-converted basis.”
- Series A Preferred Shares holds a priority right in the case of a liquidation event.
- Each Series A Preferred Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preferred Shares will automatically convert into ordinary shares at the then-effective conversion rate, immediately before a “Realization Event.” A Realization Event is defined as:
  - business sale.
  - a share sale of 75% or more of the issued shares of the Company.
  - an Initial Public Offering (IPO) of not less than \$75 million.
  - any other realization, including a merger, consolidation, acquisition, or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction do not, immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

### ***Series B Preferred Shares***

The Company is also authorized to issue 2,500,000 shares of Class B Preferred Shares with a par value of \$0.01. As of December 31, 2023 there were no shares of Class B Preferred Shares issued and outstanding.

## **12. Commitments and Contingencies**

### ***Legal Proceedings***

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated interim financial statements.



# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### *Lease Commitments*

The Company leases various facilities and vehicles under non-cancelable leases, which expire at various dates through December 2028.

### **13. Revenue**

#### *Revenue Recognition*

Revenue is measured as the amount of consideration the Company is expected to receive in exchange for transferring products or providing a service to customers and includes shipping and handling charges. All revenue is recognized when the Company satisfies the performance obligations under the contract. The Company recognizes revenue by transferring the promised products to the customer, with the majority of revenue recognized when the products are delivered to the customer. The majority of the Company's contracts have a single performance obligation and are short-term in nature.

#### *Disaggregation of Revenue*

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

<i>Six Months ended December 31,</i>	<b>2023</b>	<b>2022</b>
Products/services:		
SEA-Drive	\$6,949,505	\$11,570,286
Aftersales products and services	\$262,342	\$459,564
<b>Total Revenues</b>	<b>\$7,211,847</b>	<b>\$12,029,850</b>
<i>Six Months ended December 31,</i>	<b>2023</b>	<b>2022</b>
Primary geographic markets:		
Australia	\$2,543,446	\$5,322,257
New Zealand	\$28,574	\$39,725
United States	\$4,639,827	\$6,667,868
<b>Total Revenues</b>	<b>\$7,211,847</b>	<b>\$12,029,850</b>

*SEA-Drive* - This consists of sales of SEA-Drive electric power systems. The Company recognizes revenue when delivered to the customer. The Company also installs the SEA-Drive electric power systems into customer-owned chassis. The Company does not have material contracts related to customer-owned chassis.

*Aftersales Products and Services* - These consist of add-on services and products occurring after the sale of the SEA-Drive electric power systems. The Company recognizes revenue after the service has been provided to the customer.

#### **Contract Liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### *Contract Liabilities:*

*Six months ended December 31, 2023:*

Balance, June 30, 2023	\$ 2,029,245
Deposits received	4,755,574
Recognized as revenue	(363,448)
Balance, December 31, 2023	\$ 6,421,371

*Six months ended December 31, 2022:*

Balance, June 30, 2022	\$ 746,744
Deposits received	609,134
Recognized as revenue	(105,250)
Balance, December 31, 2022	\$ 1,250,628

### **14. Income Taxes**

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. For the three months ended December 31, 2023, and 2022, the Company had net losses and \$0 of current or deferred income tax expense recorded. The Company has recorded a full valuation allowance on its deferred tax assets at December 31, 2023, and June 30, 2023.

At June 30, 2023 and 2022, the Company had a federal net operating loss carryforward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carryforward period, and a state net operating loss carryforward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at December 31, 2023 and 2022, the Company has foreign net operating loss carryforwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carryforward period. The Company believes that it is more likely than not that the benefit from the net operating loss carryforwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of December 31, 2023 and June 30, 2023.

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statement of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheet at December 31, 2023 or June 30, 2023.

### **15. Concentrations of Risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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### 16. Related Party Transactions

On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively. Total rent paid under this lease was approximately \$74,000 and \$64,000 for the three months ended December 31, 2023, and 2022, respectively, and \$148,000 and \$128,000 for the six months ended December 31, 2023 and 2022, respectively,

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services provided by a shareholder of the Company. AST Global is wholly owned and controlled by a founding shareholder of the Company.

#### *Consulting Fees with John Pratt*

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at December 31, 2023 and is included in accrued liabilities and other in the consolidated balance sheet. During 2022, John Pratt was appointed as a director of the Company.

### 17. Subsequent Events

#### *Debt Refinancing:*

In January 2024, the Company entered into a debt restructuring agreement with the holders of the Company's promissory notes and its convertible promissory notes. Pursuant to the terms of the debt restructuring agreement, the principal amount of all outstanding promissory notes and certain of the convertible promissory notes were consolidated into a series of senior secured promissory notes with a face amount of approximately \$47.0 million. The senior secured promissory notes mature in 2027 and bear interest at 12.0% per year. As security for the senior secured promissory notes, the holders were granted a first priority security interest over any and all Company assets. The debt restructuring agreement, among other things, also extended the maturity date for the remaining portion of the Company's existing convertible promissory notes until December 2024. Pursuant to the terms of the debt restructuring agreement, the remaining portion of the convertible promissory notes convert into (i) shares of the Company's common stock, in the event of certain merger transactions or (ii) equity securities of the Company issued in certain qualified financing transactions. If the remaining balance of the convertible promissory notes has not converted pursuant to (i) or (ii) in the preceding sentence on or before December 31, 2024, then such remaining portion of the convertible promissory notes will be exchanged for senior secured promissory notes on the same terms as the new senior secured promissory notes issued in January 2024.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per-share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option on or before June 30, 2024. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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### *Exro Merger Agreement:*

On January 30, 2024, the Company entered into a merger agreement with EXRO Technologies, Inc., providing for the acquisition of the Company by Exro (the "Transaction"). Following completion of the Transaction, the combined company (the "Combined Company") will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange (the "TSX") under the ticker symbol "EXRO".

Under the terms of the Merger Agreement, immediately following the closing of the Transaction, Exro shareholders will own an approximate 34.5% economic stake in the Combined Company and the Company's shareholders will own an approximate 65.5% economic stake in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering (as defined below). Immediately following the closing of the Transaction, and prior to any conversion of Exro Convertible Shares into Exro Common Shares, current Exro shareholders will hold approximately 52.5% of the voting shares in the Combined Company and current SEA shareholders will hold approximately 47.5% of the voting shares in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering. The Merger Agreement also contains customary representations, warranties and covenants, including non-solicitation covenants applicable to Exro and the Company.

The Merger Agreement may be terminated in certain specified circumstances, including: (i) if the Transaction is not consummated on or before June 30, 2024, (ii) the approval of the Exro shareholders is not obtained or (iii) if Exro's board of directors makes a change in recommendation or enters into an agreement in respect of a superior proposal. A termination fee of approximately US\$11.4 million is payable by Exro to the Company if the Merger Agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of approximately US\$11.4 million from the Company if the Merger Agreement is terminated in certain circumstances.

No other matter or circumstance has arisen since December 31, 2023, that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future fiscal years.

# **SEA Electric Inc.**

Consolidated Interim Financial Statements

Three Months Ended September 30, 2023 and 2022

(Unaudited)

SEA Electric Inc.

Consolidated Interim Financial Statements

Three months ended September 30, 2023 and 2022

(Unaudited)

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**SEA Electric Inc.**  
**Consolidated Interim Balance Sheets**  
(Unaudited - in U.S. dollars)

	Sept 30, 2023	June 30, 2023
<b>Assets</b>		
<b>Current Assets</b>		
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
<b>Total Current Assets</b>	<b>\$ 22,777,541</b>	<b>\$ 17,700,714</b>
<b>Non-Current Assets</b>		
Property and equipment	1,018,907	1,143,005
Operating lease right-of-use assets, net	1,938,684	1,954,597
<b>Total Non-Current Assets</b>	<b>2,957,591</b>	<b>3,097,602</b>
<b>Total Assets</b>	<b>\$ 25,735,132</b>	<b>\$ 20,798,316</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
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
<b>Total Current Liabilities</b>	<b>\$ 39,772,697</b>	<b>\$ 35,492,808</b>
<b>Non-Current Liabilities</b>		
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
<b>Total Non-Current Liabilities</b>	<b>32,868,599</b>	<b>22,857,802</b>
<b>Total Liabilities</b>	<b>\$ 72,641,296</b>	<b>\$ 58,350,610</b>
<b>Stockholders' Equity</b>		
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)
<b>Total Stockholders' Equity</b>	<b>(46,906,164)</b>	<b>(37,552,294)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 25,735,132</b>	<b>\$ 20,798,316</b>

*See accompanying notes to consolidated interim financial statements.*

## SEA Electric Inc.

### Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited - in U.S. dollars)

<i>Three Months Ended September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Revenue</b>	\$ 3,861,277	\$ 5,730,039
<b>Operating Expenses</b>		
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)
<b>Total Operating Expenses</b>	(11,488,122)	(16,434,630)
<b>Loss from Operations</b>	(7,626,845)	(10,704,591)
Interest Expense	(1,414,753)	(362,217)
<b>Loss before income taxes</b>	(9,041,598)	(11,066,808)
Income Tax Provision	-	-
<b>Net Loss</b>	\$ (9,041,598)	\$ (11,066,808)
<b>Other Comprehensive Income (Loss)</b>		
Foreign currency translation adjustments	(312,272)	3,936
<b>Total Comprehensive Loss</b>	\$ (9,353,870)	\$ (11,062,872)

*See accompanying notes to consolidated interim financial statements.*



## SEA Electric Inc.

### Consolidated Interim Statements of Stockholders' Equity (Unaudited - in U.S. dollars)

	Series A Preferred Shares		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, June 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,209,344)	\$ (108,044,423)	\$ (37,552,294)
Net loss	-	-	-	-	-	-	(9,041,598)	(9,041,598)
Foreign currency translation adjustment	-	-	-	-	-	(312,272)	-	(312,272)
<b>Total Comprehensive Loss</b>	-	-	-	-	-	<b>(312,272)</b>	<b>(9,041,598)</b>	<b>(9,353,870)</b>
Balance, September 30, 2023	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,521,616)	\$ (117,086,021)	\$ (46,906,164)

	Series A Preferred Shares		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, June 30, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,774,697)	\$ (68,410,078)	\$ 1,516,698
Net loss	-	-	-	-	-	-	(11,066,808)	(11,066,808)
Foreign currency translation adjustment	-	-	-	-	-	3,936	-	3,936
<b>Total Comprehensive Loss</b>	-	-	-	-	-	<b>3,936</b>	<b>(11,066,808)</b>	<b>(11,062,872)</b>
Balance, September 30, 2022	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$(2,770,761)	\$ (79,476,886)	\$ (9,546,174)

*See accompanying notes to consolidated interim financial statements.*

## SEA Electric Inc.

### Consolidated Interim Statements of Cash Flows (Unaudited - in U.S. dollars)

<i>Three Months Ended September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
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)
<b>Net Cash Used in Operating Activities</b>	<b>(9,295,340)</b>	<b>(10,703,777)</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(60,218)	(42,941)
<b>Net Cash Used in Investing Activities</b>	<b>(60,218)</b>	<b>(42,941)</b>
<b>Cash Flows from Financing Activities:</b>		
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
<b>Net Cash Provided by Financing Activities</b>	<b>9,994,478</b>	<b>2,007,068</b>
Effect of Exchange Rate on Cash	(244,764)	155,699
<b>Net Change in Cash</b>	<b>394,156</b>	<b>(8,583,951)</b>
Cash, beginning of period	1,432,326	10,011,935
<b>Cash, end of period</b>	<b>\$ 1,826,482</b>	<b>\$ 1,427,984</b>

*See accompanying notes to consolidated interim financial statements.*

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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### 1. Description of Business and Summary

SEA Electric Inc. (the Company) is a corporation formed on May 31, 2022, under the laws of Delaware in the United States of America. The Company is the parent entity of a number of subsidiaries including the previous parent entity SEA Electric Holdings Pty Ltd. (Holdings). Holdings was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporations Act 2001. Its registered office is located at 1/13 Advantage Dr, Dandenong South VIC 3175, Australia.

On May 31, 2022, Holdings executed its plan to re-domicile from Australia to the United States of America (the Re-domiciliation). Holdings implemented a plan whereby SEA Electric Inc., a newly formed incorporated company for the purpose of effecting the Re-domiciliation, acquired all the outstanding shares of Holdings. Holdings' shareholders received one SEA Electric Inc. share for every one share of Holdings in the Re-domiciliation. Option holders of Holdings also received new options in SEA Electric Inc. in the same proportion to their existing holdings. The term "Company" refers to (i), prior to the Re-domiciliation, Holdings (an Australian corporation) and its subsidiaries and (ii), following the Re-domiciliation, SEA Electric Inc. (a Delaware corporation) and its subsidiaries. The re-domicile was accounted for as an internal reorganization of entities under common control and did not result in a change in shareholders or their respective ownership percentages.

The Company is an automotive technology company that has created proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world's urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

The Company's fiscal year-end is June 30. References to a particular "fiscal quarter" are to the Company's fiscal three months ended September 30.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

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

#### *Going Concern*

The Company's consolidated interim financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the three months ended September 30, 2023, and 2022, the Company reported a consolidated net loss of \$9,041,598 and \$11,066,808 respectively and had cash flows used in operating activities of \$9,295,340 and \$10,703,777 respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of these consolidated interim financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, the Company is in the process of

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

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

### ***Basis of Consolidation***

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

These consolidated interim financial statements include the accounts of the following entities, wholly owned by the Company as of September 30, 2023:

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

The entities listed above have been formed or acquired to support the intended operations of the Company.

### ***Use of Estimates and Significant Judgments***

The preparation of the Company's consolidated interim financial statements require management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated interim financial statements include the allowance for credit losses on trade receivables, inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment and

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, estimated variable consideration on contracts with customers, sales return estimates, and incremental borrowing rates and lease terms applicable to lease contracts.

### Allowance for Credit Losses

The Company recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on our expectation as of the balance sheet date.

Assets are written off when the Company has determined that such financial assets are deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The allowance for credit losses on accounts receivable was \$350,425 at September 30, 2023 and June 30, 2023.

### Research and Development Costs

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services. For the three months ended September 30, 2023, and 2022, the Company incurred \$666,146 and \$192,311, respectively, of research and development costs.

### Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurement (ASC 820), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

Level 1 - This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

Level 3 - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, Derivatives and Hedging (ASC 815).

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature. The carrying value of long-term loans and convertible debt approximates fair value, as demonstrated by the debt refinancing that took place in January 2024 (see Note 17).

### ***New Accounting Pronouncements Adopted During First Quarter of Fiscal Year 2024***

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Company to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

On July 1, 2023, the Company adopted the guidance prospectively, and elected not to restate comparative information. The effect on the Company consolidated interim financial statements was immaterial.

### **3. Inventory**

Inventory consists of the following:

	Sept 30, 2023	June 30, 2023
Raw materials	\$ 14,753,528	\$ 9,610,539
Work-in-process	2,175,240	2,291,526
<b>Total Inventory</b>	<b>\$ 16,928,768</b>	<b>\$ 11,902,065</b>

### **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
<b>Total Prepaid Expenses and Other Current Assets</b>	<b>\$ 999,866</b>	<b>\$ 2,512,127</b>

Deposits consist primarily of advance payments made to suppliers of batteries and other components.

## SEA Electric Inc.

### Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

#### 5. Property and Equipment, Net

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

	Sept 30, 2023	June 30, 2023
Leaseholds and equipment	\$ 901,922	\$ 909,264
Furniture and equipment	498,803	507,044
Motor vehicles	757,678	761,968
Computer equipment	326,198	292,213
Computer software	233,705	225,796
<b>Total Property and Equipment</b>	<b>2,708,307</b>	<b>2,696,285</b>
Less: accumulated depreciation and amortization	(1,689,400)	(1,553,280)
<b>Property and Equipment, Net</b>	<b>\$ 1,018,907</b>	<b>\$ 1,143,005</b>

For the three months ended September 30, 2023, and September 30, 2022, total depreciation and amortization on property and equipment was \$109,856 and \$121,327, respectively.

#### 6. Leases

The Company maintains has operating leases in Australia, the United States, and New Zealand. One of the Company's leases is controlled by a related party at September 30, 2023 (see Note 16).

The table below presents certain information related to the Company's lease costs:

<i>Three months ended September 30,</i>	2023	2022
Operating lease expense	\$ 337,473	\$ 384,211
<b>Total Lease Expense</b>	<b>\$ 337,473</b>	<b>\$ 384,211</b>

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
<b>Assets:</b>		
ROU assets, net	\$ 1,938,684	\$ 1,954,597
<b>Total Lease Assets</b>	<b>1,938,684</b>	<b>\$ 1,954,597</b>
<b>Liabilities:</b>		
<b>Current Liabilities</b>		
Lease liabilities, current	\$ 243,983	\$ 243,983
<b>Non-Current Liabilities</b>		
Lease liabilities, net of current portion	1,860,228	1,877,631
<b>Total Lease Liabilities</b>	<b>\$ 2,104,211</b>	<b>\$ 2,121,614</b>

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### 7. Accrued Liabilities and Other Current Liabilities

Accrued liabilities and other current liabilities are comprised of the following items:

	Sept 30, 2023	June 30, 2023
Accruals	\$ 7,440,730	\$ 6,244,183
Taxes and social security payments	2,466,491	1,456,996
Annual and long-service leave payable	511,359	514,961
<b>Total Accrued Liabilities and Other Current Liabilities</b>	<b>\$ 10,418,580</b>	<b>\$ 8,216,140</b>

### 8. Convertible Notes

Convertible notes were \$17,000,000 at September 30, 2023 and June 30, 2023.

On June 29, 2022, the Company offered and issued \$10 million of convertible notes to four different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through Nov 30, 2024, the date at which unpaid principal and interest was due and payable.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

On July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes.

On November 10, 2022, the Company issued \$5 million convertible note to 4 investors under the same terms and conditions as the original convertible notes for \$10 million.

As discussed in Note 17, all of the convertible notes were refinanced in January 2024.



# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### 9. Loans Payable/Promissory Notes

Loans payable/promissory notes consisted of the following:

	Sept 30, 2023	June 30, 2023
Long-term promissory notes	\$ 30,000,000	\$ 20,000,000
Miscellaneous loans	106,695	111,075
<b>Total Loans Payable</b>	<b>\$ 30,106,695</b>	<b>\$ 20,111,075</b>

On February 23, 2023, the company received a long-term promissory note from a Series A investor (Vestcor) for \$20 million. As of June 30, 2023, \$20 million had been provided to the Company. An additional promissory note for \$10 million was approved on July 19, 2023. Total promissory notes as of September 30, 2023, were \$30 million with an interest rate of 12% accruing to the principle and repayment due on February 28, 2025, for the first \$20 million, and the additional \$10 million is due if Company raises \$50 million of equity or July 31, 2024. The notes can be paid off prior to this date at the company's option.

As discussed in Note 17, the \$30 million of promissory notes were refinanced in January 2024, and therefore, are presented as long-term on the consolidated balance sheet at September 30, 2023.

Miscellaneous loans payable at consisted primarily of a U.S. 30-year long-term bank loan at September 30, 2023 and June 30, 2023. The 30-year long-term bank loan was entered into on September 30, 2020, and matures in September 2050. The interest rate charged on the loan is 3.75% with minimum repayment amounts of \$502 per month.

### 10. Warranty Provision

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components, and workmanship for three years or 100,000 kilometers, whichever occurs first. The Company accrues warranty related costs under standard warranty terms and for certain claims outside the contractual obligation period that it chooses to pay as accommodations to its customers.

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

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

*Three months ended September 30, 2023:*

Balance, July 1, 2023	\$ 869,096
Warranty expense / (claims)	32,580
<b>Balance, September 30, 2023</b>	<b>\$ 901,676</b>

*Three months ended September 30, 2022:*

Balance, July 1, 2022	\$ 269,450
Warranty expense / (claims)	(75,009)
<b>Balance, September 30, 2022</b>	<b>\$ 194,441</b>

### 11. Stockholders' Equity

#### *Common Shares*

The Company's certificate of incorporation authorized the Company to issue 12,500,000 shares of common stock with a par value of \$0.01. Holders of common stock are entitled to one vote in respect of each share held. All common shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with a consultant. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018, and provides three tranches of options, as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on September 30, 2028. On March 6, 2019, the consultant exercised their rights and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). In connection with the Re-domiciliation discussed in Note 1, the 110,973 options were exchanged for 94,063 common shares of the Company. In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash. Any shares issued would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into one share of the Company at a price of \$40.20 (being the same price used in the Series A funding) and is valid for a period of six months following completion of a go-public transaction. In the event the market capitalization of the Company resulting from the go-public transaction exceeds \$650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in September 2026. In September 2021, 14,926 shares and 61,942 options were issued to VIII Capital. In connection with the Re-domiciliation discussed in Note 1, the options were exchanged for 61,942 options in the Company at the same exercise price of \$40.20 with the same maturity date of September 2026.

#### *Series A Preferred Shares*

On July 9, 2021, the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles LLC (MEV), a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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commercial vehicle and industrial markets located in Troy, Michigan. The agreement provided for MEV, which owns 83,333 shares of Series A Preferred Shares valued at \$60.00 per share, to have observer rights for the Company's board meetings. Invested funds were received in full on the date of signing the agreement.

On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company issued 62,500 Series A Preferred Shares at a price of \$80.00 per share in respect of this agreement.

On February 17, 2022, the Company raised \$10,200,000 through a Series A Funding round. The Company issued 127,500 Series A Preferred Shares at a price of \$80.00 per share. The Series A Preferred Shares are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

Series A Preferred Shares entitle the holder to same rights and privileges as the ordinary shares of the Company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferred Shares on an “as-converted basis.”
- The Company may also, but is not required to, declare and pay a dividend on the Series A Preferred Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preferred share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an “as-converted basis.”
- Series A Preferred Shares holds a priority right in the case of a liquidation event.
- Each Series A Preferred Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preferred Shares will automatically convert into ordinary shares at the then-effective conversion rate, immediately before a “Realization Event.” A Realization Event is defined as:
  - business sale.
  - a share sale of 75% or more of the issued shares of the Company.
  - an Initial Public Offering (IPO) of not less than \$75 million.
  - any other realization, including a merger, consolidation, acquisition, or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction do not, immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

### ***Series B Preferred Shares***

The Company is also authorized to issue 2,500,000 shares of Class B Preferred Shares with a par value of \$0.01. As of September 30, 2023 there were no shares of Class B Preferred Shares issued and outstanding.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

### 12. Commitments and Contingencies

#### *Legal Proceedings*

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated interim financial statements.

#### *Lease Commitments*

The Company leases various facilities and vehicles under non-cancelable leases, which expire at various dates through September 2028.

### 13. Revenue

#### *Revenue Recognition*

Revenue is measured as the amount of consideration the Company is expected to receive in exchange for transferring products or providing a service to customers and includes shipping and handling charges. All revenue is recognized when the Company satisfies the performance obligations under the contract. The Company recognizes revenue by transferring the promised products to the customer, with the majority of revenue recognized when the products are delivered to the customer. The majority of the Company's contracts have a single performance obligation and are short-term in nature.

#### *Disaggregation of Revenue*

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

<i>Three Months ended September 30,</i>	<b>2023</b>	<b>2022</b>
Products/services:		
SEA-Drive	\$ 3,725,733	\$ 5,467,684
Aftersales products and services	135,544	262,355
<b>Total Revenues</b>	<b>\$ 3,861,277</b>	<b>\$ 5,730,039</b>
<i>Three Months ended September 30,</i>	<b>2023</b>	<b>2022</b>
Primary geographic markets:		
Australia	\$ 1,401,611	\$ 2,898,962
New Zealand	12,665	22,704
United States	2,447,001	2,808,373
<b>Total Revenues</b>	<b>\$ 3,861,277</b>	<b>\$ 5,730,039</b>

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

*SEA-Drive* - This consists of sales of SEA-Drive electric power systems. The Company recognizes revenue when delivered to the customer. The Company also installs the SEA-Drive electric power systems into customer-owned chassis. The Company does not have material contracts related to customer-owned chassis.

*Aftersales Products and Services* - These consist of add-on services and products occurring after the sale of the SEA-Drive electric power systems. The Company recognizes revenue after the service has been provided to the customer.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs under the contract.

Three months ended September 30, 2023:

<b>Balance, July 1, 2023</b>	<b>\$ 2,029,245</b>
Deposits received	-
Recognized as revenue	(363,448)
<b>Balance, September 30, 2023</b>	<b>\$ 1,665,797</b>

Three months ended September 30, 2022:

<b>Balance, July 1, 2022</b>	<b>\$ 746,744</b>
Customer deposits received	206,643
Released to revenue	-
<b>Balance, September 30, 2022</b>	<b>\$ 953,387</b>

### 14. Income Taxes

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. For the three months ended September 30, 2023, and 2022, the Company had net losses and \$0 of current or deferred income tax expense recorded. The Company has recorded a full valuation allowance on its deferred tax assets at September 30, 2023, and June 30, 2023.

At June 30, 2023 and 2022, the Company had a federal net operating loss carryforward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carryforward period, and a state net operating loss carryforward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at September 30, 2023 and 2022, the Company has foreign net operating loss carryforwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carryforward period. The Company believes that it is more likely than not that the benefit from the net operating loss carryforwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of September 30, 2023 and June 30, 2023.

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statement of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheet at September 30, 2023 or June 30, 2023.

### 15. Concentrations of Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

### 16. Related Party Transactions

On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively. Total rent paid under this lease was approximately \$74,000 and \$64,000, respectively, for the three months ended September 30, 2023, and 2022.

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services provided by a shareholder of the Company. AST Global is wholly owned and controlled by a founding shareholder of the Company.

#### *Consulting Fees with John Pratt*

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at September 30, 2023 and is included in accrued liabilities and other in the consolidated balance sheet. During 2022, John Pratt was appointed as a director of the Company.

### 17. Subsequent Events

#### *Debt Refinancing:*

In January 2024, the Company entered into a debt restructuring agreement with the holders of the Company's promissory notes and its convertible promissory notes. Pursuant to the terms of the debt restructuring agreement, the principal amount of all outstanding promissory notes and certain of the convertible promissory notes were consolidated into a series of senior secured promissory notes with a face amount of approximately \$47.0 million. The senior secured promissory notes mature in 2027 and bear interest at 12.0% per year. As security for the senior secured promissory notes, the holders were granted a first priority security interest over any and all Company assets. The debt restructuring agreement, among other things, also extended the maturity date for the remaining portion of the Company's existing convertible promissory notes until December 2024. Pursuant to the terms of the debt restructuring agreement, the remaining portion of the convertible promissory notes convert into (i) shares of the Company's common stock, in the event of certain merger transactions or (ii) equity securities of the Company issued in certain qualified financing

# SEA Electric Inc.

## Notes to Consolidated Interim Financial Statements (Unaudited - in U.S. dollars)

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transactions. If the remaining balance of the convertible promissory notes has not converted pursuant to (i) or (ii) in the preceding sentence on or before December 31, 2024, then such remaining portion of the convertible promissory notes will be exchanged for senior secured promissory notes on the same terms as the new senior secured promissory notes issued in January 2024.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per-share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholders option on or before June 30, 2024. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

### *Exro Merger Agreement:*

On January 30, 2024, the Company entered into a merger agreement with EXRO Technologies, Inc., providing for the acquisition of the Company by Exro (the "Transaction"). Following completion of the Transaction, the combined company (the "Combined Company") will continue to operate under the name Exro Technologies Inc. and trade on the Toronto Stock Exchange (the "TSX") under the ticker symbol "EXRO".

Under the terms of the Merger Agreement, immediately following the closing of the Transaction, Exro shareholders will own an approximate 34.5% economic stake in the Combined Company and the Company's shareholders will own an approximate 65.5% economic stake in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering (as defined below). Immediately following the closing of the Transaction, and prior to any conversion of Exro Convertible Shares into Exro Common Shares, current Exro shareholders will hold approximately 52.5% of the voting shares in the Combined Company and current SEA shareholders will hold approximately 47.5% of the voting shares in the Combined Company, on a fully diluted basis and prior to any impacts of the Offering. The Merger Agreement also contains customary representations, warranties and covenants, including non-solicitation covenants applicable to Exro and the Company.

The Merger Agreement may be terminated in certain specified circumstances, including: (i) if the Transaction is not consummated on or before June 30, 2024, (ii) the approval of the Exro shareholders is not obtained or (iii) if Exro's board of directors makes a change in recommendation or enters into an agreement in respect of a superior proposal. A termination fee of approximately US\$11.4 million is payable by Exro to the Company if the Merger Agreement is terminated in certain circumstances, including if Exro enters into a superior proposal, and Exro is entitled to a reverse termination fee of approximately US\$11.4 million from the Company if the Merger Agreement is terminated in certain circumstances.

No other matter or circumstance has arisen since September 30, 2023, that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future fiscal years.

# SEA Electric Inc.

Consolidated Financial Statements  
Years Ended June 30, 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.





# **SEA Electric Inc.**

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**Consolidated Financial Statements**  
Years Ended June 30, 2023 and 2022

# SEA Electric Inc.

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## **Independent Auditor's Report**

Board of Directors  
SEA Electric Inc.  
Torrance, California

### ***Opinion***

We have audited the consolidated financial statements of SEA Electric Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Substantial Doubt About the Company's Ability to Continue as a Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, P.C.*

January 24, 2024

**SEA Electric Inc.**  
**Consolidated Balance Sheets**  
(in U.S. dollars)

<i>June 30,</i>	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
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
<b>Total Current Assets</b>	<b>17,700,714</b>	<b>27,921,721</b>
<b>Non-Current Assets</b>		
Property and equipment, net	1,143,005	1,550,279
Operating lease right-of-use assets, net	1,954,597	2,317,276
<b>Total Non-Current Assets</b>	<b>3,097,602</b>	<b>3,867,555</b>
<b>Total Assets</b>	<b>\$ 20,798,316</b>	<b>\$ 31,789,276</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
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
<b>Total Current Liabilities</b>	<b>35,492,808</b>	<b>27,618,958</b>
<b>Non-Current Liabilities</b>		
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
<b>Total Non-Current Liabilities</b>	<b>22,857,802</b>	<b>2,653,620</b>
<b>Total Liabilities</b>	<b>58,350,610</b>	<b>30,272,578</b>
<b>Stockholders' Equity (Deficit)</b>		
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)
<b>Total Stockholders' Equity (Deficit)</b>	<b>(37,552,294)</b>	<b>1,516,698</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 20,798,316</b>	<b>\$ 31,789,276</b>

*See accompanying notes to consolidated financial statements.*

## SEA Electric Inc.

### Consolidated Statements of Operations and Comprehensive Loss (in U.S. dollars)

<i>Year ended June 30,</i>	2023	2022
<b>Revenue</b>	<b>\$ 17,085,346</b>	<b>\$ 6,881,324</b>
<b>Operating Expenses</b>		
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)
<b>Total Operating Expenses</b>	<b>(55,775,024)</b>	<b>(40,438,032)</b>
<b>Loss from Operations</b>	<b>(38,689,678)</b>	<b>(33,556,708)</b>
<b>Other Income</b>	<b>1,554,202</b>	<b>102,962</b>
<b>Interest Expense</b>	<b>(2,498,869)</b>	<b>(2,725)</b>
<b>Net Loss</b>	<b>(39,634,345)</b>	<b>(33,456,471)</b>
<b>Other Comprehensive Income (Loss)</b>		
Foreign currency translation adjustments	565,353	(1,063,692)
<b>Total Comprehensive Loss</b>	<b>\$ (39,068,992)</b>	<b>\$ (34,520,163)</b>

*See accompanying notes to consolidated financial statements.*

**SEA Electric Inc.**

**Consolidated Statements of Stockholders' Equity (Deficit)**  
(in U.S. dollars)

	Series A Preferred Shares		Common Stock			Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
<b>Balance, June 30, 2021</b>	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)	
<b>Total Comprehensive Loss</b>	-	-	-	-	-	(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	-	-	-	-	-	
<b>Balance, June 30, 2022</b>	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	
<b>Total Comprehensive Income (Loss)</b>	-	-	-	-	-	565,353	(39,634,345)	(39,068,992)	
<b>Balance, June 30, 2023</b>	1,376,118	\$ 59,427,502	2,968,202	\$ 28,741	\$ 13,245,230	\$ (2,209,344)	\$ (108,044,423)	\$ (37,552,294)	

*See accompanying notes to consolidated financial statements.*

**SEA Electric Inc.**  
**Consolidated Statements of Cash Flows**  
(in U.S. dollars)

<i>Year ended June 30,</i>	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
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
<b>Net Cash Used in Operating Activities</b>	<b>(35,783,563)</b>	<b>(26,621,252)</b>
<b>Cash Flows from Investing Activities</b>		
Additions to property and equipment	(437,653)	(533,416)
<b>Net Cash Used in Investing Activities</b>	<b>(437,653)</b>	<b>(533,416)</b>
<b>Cash Flows from Financing Activities</b>		
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
<b>Net Cash Provided by Financing Activities</b>	<b>26,981,533</b>	<b>29,332,914</b>
<b>Effect of Exchange Rate on Cash</b>	<b>660,074</b>	<b>(845,172)</b>
<b>Change in Cash During the Year</b>	<b>(8,579,609)</b>	<b>1,333,074</b>
<b>Cash, beginning of year</b>	<b>10,011,935</b>	<b>8,678,861</b>
<b>Cash, end of year</b>	<b>\$ 1,432,326</b>	<b>\$ 10,011,935</b>

*See accompanying notes to consolidated financial statements.*



# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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### 1. Description of Business and Summary

SEA Electric Inc. (the Company) is a corporation formed on May 31, 2022 under the laws of Delaware in the United States of America. The Company is the parent entity of a number of subsidiaries, including the previous parent entity SEA Electric Holdings Pty Ltd. (Holdings). Holdings was founded in 2012 and is an Australian proprietary limited company incorporated in Australia under the Corporations Act 2001. Its registered office is located at 1/13 Advantage Dr, Dandenong South VIC 3175, Australia.

On May 31, 2022, Holdings executed its plan to re-domicile from Australia to the United States of America (the Re-Domiciliation). Holdings implemented a plan whereby SEA Electric Inc., a newly formed incorporated company for the purpose of effecting the Re-Domiciliation, acquired all the outstanding shares of Holdings. Holdings' shareholders received one SEA Electric Inc. share for every one share of Holdings in the Re-Domiciliation. Option holders of Holdings also received new options in SEA Electric Inc. in the same proportion to their existing holdings. The term "Company" refers to (i) prior to the Re-Domiciliation, Holdings (an Australian corporation) and its subsidiaries and (ii) following the Re-Domiciliation, SEA Electric Inc. (a Delaware corporation) and its subsidiaries. The re-domicile was accounted for as an internal reorganization of entities under common control and did not result in a change in shareholders or their respective ownership percentages.

The Company is an automotive technology company that has created proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the world's urban delivery and distribution fleets. The Company now has deployed product in five countries (United States, Austria, Thailand, New Zealand, and Australia).

The Company's fiscal year-end is June 30. References to a particular "fiscal year" are to the Company's fiscal year ended June 30 of that calendar year.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

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

#### *Going Concern*

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the fiscal years ended June 30, 2023 and 2022, the Company reported a consolidated net loss of \$39,634,345 and \$33,456,471, respectively, and had cash flows used in operating activities of \$35,783,563 and \$26,621,252, respectively.

The Company does not have sufficient cash and cash equivalents on hand or available liquidity to meet its obligations as they become due 12 months from date of issuance of these consolidated financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, the Company is in the process of

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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attempting to raise additional funding. There can be no assurance that the Company will be able to raise additional funding, including what the terms, restrictions, and covenants of any new funding will contain. These plans have not been finalized and are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

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

### ***Basis of Consolidation***

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

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

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

The entities listed above have been formed or acquired to support the intended operations of the Company.

### ***New Accounting Pronouncements Recently Adopted***

In August 2020, the FASB issued Accounting Standards Update (ASU) 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40)*, changes that simplified the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company adopted the standard on July 1, 2021. There was no impact upon adoption.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which is intended to simplify the accounting for income taxes by eliminating certain exceptions and simplifying certain requirements under Topic 740. Updates are related to intra-period tax allocation, deferred tax liabilities for equity-method investments, interim-period tax calculations, tax laws or rate changes

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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in interim periods, and income taxes related to employee stock ownership plans. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early-adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company adopted the change in fiscal year (FY) 2023 with no financial impact to the Company.

### ***New Accounting Pronouncements Not Yet Adopted***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This update is effective for the Company for fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of these changes on the consolidated financial statements.

### ***Use of Estimates and Significant Judgments***

The preparation of the Company's consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures, and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information that could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these consolidated financial statements include the allowance for doubtful accounts receivable and trade receivables; inventory valuation adjustments that contemplate the market value of, and demand for, inventory, estimated useful lives of property and equipment, and intangible assets; valuation allowance on deferred income tax assets; determining the fair value of financial instruments; estimated variable consideration on contracts with customers; sales return estimates; and incremental borrowing rates and lease terms applicable to lease contracts.

Consolidated financial statement areas that require significant judgments are as follows:

*Leases* - The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancelable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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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).

The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use (ROU) asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

### ***Foreign Currency***

These consolidated financial statements are presented in United States dollars (USD), which is the Company's reporting currency. The functional currency of all of the Company's foreign subsidiaries, as determined by management, is the local currency of each entity. All assets and liabilities of the foreign subsidiaries are translated to USD at the rates in effect at the consolidated balance sheet date. All amounts in the consolidated statements of operations and comprehensive loss are translated using the average exchange rates in effect during the year. Resulting translation adjustments are reflected in the accumulated other comprehensive loss component of stockholders' equity. Settlement of receivables and payables in a foreign currency that is not in the functional currency results in foreign currency gains and losses. Foreign currency transaction gains and losses are included in other income in the consolidated statements of operations and comprehensive loss.

### ***Cash and Cash Equivalents***

Cash includes cash on hand, deposits with banks, and cash equivalents that are highly liquid investments that are readily convertible to cash. A cash equivalent is a highly liquid investment that at the time of acquisition has a maturity of three months or less. The Company did not have any cash equivalents on June 30, 2023 or 2022. On June 30, 2023 and 2022, the Company held cash balances in excess of insured limits of \$1,182,326 and \$9,761,935, respectively.

### ***Fair Value Measurements***

FASB ASC Topic 820, *Fair Value Measurement (ASC 820)*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a transaction measurement date. The ASC 820 three-tier fair value hierarchy prioritizes the inputs used in the valuation methodologies, as follows:

*Level 1* - This level consists of valuations based on quoted prices for identical assets and liabilities in active markets.

*Level 2* - This level consists of valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs observable or that can be corroborated by observable market data.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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*Level 3* - This level consists of valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company evaluates its financial instruments to determine if those instruments or any embedded components of those instruments potentially qualify as derivatives required to be separately accounted for in accordance with FASB ASC Topic 815, *Derivatives and Hedging (ASC 815)*.

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses, and other current liabilities approximates their fair value due to their short-term nature, and the carrying value of long-term loans and convertible debt approximates fair value as they bear a market rate of interest.

### ***Inventory***

Inventory consists of raw materials, work-in-process, and finished goods and is stated at the lower of cost or net realizable value. Manufactured inventories are valued at standard cost, which approximates actual costs on a first-in, first-out basis. The Company records inventory reserves for excess or obsolete inventories based upon assumptions about current and future demand forecasts. If inventory costs exceed net realizable value, the Company will record reserve for the difference between the cost and the net realizable value. The net realizable value is determined based on the estimated selling price, in the ordinary course of business, less estimated costs to complete or dispose.

### ***Property and Equipment, Net***

Property and equipment, net is stated at cost less accumulated depreciation. Major renewals and improvements are capitalized while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. When property and equipment is retired or otherwise disposed of, a gain or loss is realized for the difference between the net book value of the asset and the proceeds realized thereon. Depreciation is calculated using the declining balance method.

### ***Impairment of Long-Lived Assets***

Long-lived assets such as property and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. The Company has not taken any impairment charges in fiscal years ending 2023 or 2022.

### ***Leases***

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and lease liability (current and non-current) in the consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For operating leases, the lease expenses are generally recognized on a straight-line basis over the lease term and recorded to selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss.

The Company has elected to apply the practical expedient, for each class of underlying asset, except real estate leases, to not separate non-lease components from the associated lease components of the lessee's contract and account for both components as a single lease component.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Short-term leases include real estate and vehicles and are not significant in comparison to the Company's overall lease portfolio. The Company continues to recognize the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

### ***Convertible Notes***

The Company evaluates its convertible notes to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815, *Derivatives and Hedging (ASC 815)*, paragraph 815-10-05-4 and paragraph 815-40-25. The result of this accounting treatment is that (if applicable) the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statements of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. In respect of the convertible notes issued to date by the Company, there were no embedded features under ASC 815 that were required to be bifurcated from the convertible notes.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound-derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the consolidated balance sheets as current or non-current to correspond with their host instrument.

### ***Revenue Recognition***

ASC 606 provides a five-step framework through which revenue is recognized when control of promised goods or services is transferred to a customer at an amount that reflects the consideration

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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to which the Company expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company concludes are within the scope of ASC 606, management performs the following five steps: (i) identifies the contract(s) with a customer; (ii) identifies the performance obligations in the contract(s); (iii) determines the transaction price, including whether there are any constraints on variable consideration; (iv) allocates the transaction price to the performance obligations; and (v) recognizes revenue when (or as) the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to in exchange for the performance obligation.

The Company generates the majority of its revenues from the sale of the SEA-Drive electric power systems. SEA-Drive electric power systems are sold directly from the Company. Revenue is recognized when the control of the goods is transferred to the customer, which occurs at a point in time, upon delivery to the customer. The Company also installs the SEA-Drive electric power systems into customer-owned chassis. The Company does not have material contracts where the Company utilizes a customer-owned chassis.

Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue, as the Company considers itself a pass-through conduit for collecting and remitting sales taxes. Excise duties that are both imposed on and concurrent with a specific revenue-producing transaction that are collected by the Company from a customer are included in revenue. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer products to customs. Accordingly, freight revenues on all product sales, when applicable, are also recognized on a consistent manner at a point in time. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

The Company considers whether there are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration and the existence of significant financing components (if any).

### (i) *Variable Consideration*

Some contracts for the sale of goods may provide customers with a volume discount, bonuses for volume/quality achievement, or sales allowance. In addition, the Company may provide, in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company uses historical evidence, current information, and forecasts to estimate the variable consideration. The requirements in ASC 606 on constraining estimates of variable consideration are applied to determine the amount of variable consideration that can be included in the transaction price. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing its obligation to return the customer's consideration. The estimate is updated at each reporting period. The Company does not have any variable consideration for the years ended June 30, 2023 or 2022.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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### (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



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## Notes to Consolidated Financial Statements (in U.S. dollars)

than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs. The Company has reserved a full valuation allowance against its deferred tax assets.

### **Warranty**

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

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

### **Research and Development Costs**

The Company expenses research and development costs as they are incurred. Research and development costs consist primarily of personnel costs for engineering and research, prototyping costs, and contract and professional services. For the years ended June 30, 2023 and 2022, the Company incurred \$1,134,062 and \$1,266,886, respectively, of research and development costs.

## **3. Inventory**

Inventory consists of the following:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Raw materials	\$ 9,610,539	\$ 9,224,160
Work-in-process	2,291,526	1,570,664
<b>Total Inventory</b>	<b>\$ 11,902,065</b>	<b>\$ 10,794,824</b>

## **4. Prepaid Expenses and Other Current Assets**

Prepaid expense and other current assets are comprised of the following items:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Prepaid expenses	\$ 2,180,117	\$ 5,549,372
Deposits	332,010	185,795
Other	-	611,723
<b>Total Prepaid Expenses and Other Current Assets</b>	<b>\$ 2,512,127</b>	<b>\$ 6,346,890</b>

Included in other current assets are amounts refundable from the Internal Revenue Service in the amount of \$0 and \$346,037 as of June 30, 2023 and 2022, respectively. At June 30, 2023, deposits

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

consist primarily of advance payments made to suppliers of batteries and other components in both FY 2023 and 2022, as further described in Note 15.

### 5. Property and Equipment, Net

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Capital work in progress	\$ -	\$ 55,358
Leaseholds and equipment	<b>909,264</b>	889,932
Furniture and equipment	<b>507,044</b>	452,637
Motor vehicles	<b>761,968</b>	810,181
Computer equipment	<b>292,213</b>	293,147
Computer software	<b>225,796</b>	233,339
<b>Total Property and Equipment</b>	<b>2,696,285</b>	2,734,594
Less: accumulated depreciation and amortization	<b>(1,553,280)</b>	(1,184,315)
<b>Property and Equipment, Net</b>	<b>\$ 1,143,005</b>	<b>\$ 1,550,279</b>

For the years ended June 30, 2023, and 2022, total depreciation and amortization on property and equipment was \$522,378 and \$535,947, respectively.

### 6. Leases

The Company maintained five leases in FY 2023 and FY 2022 for facilities located in Australia, the United States, and New Zealand, which are under long-term operating leases. One of the Company's leases is controlled by a related party at June 30, 2023 (see Note 16).

The table below presents certain information related to the Company's lease costs:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
Operating lease expense	\$ 1,635,637	\$ 475,877
Short-term lease expense	-	-
<b>Total Lease Expense</b>	<b>\$ 1,635,637</b>	<b>\$ 475,877</b>

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## SEA Electric Inc.

### Notes to Consolidated Financial Statements (in U.S. dollars)

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

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Operating lease right-of-use assets, net	\$ 1,954,597	\$ 2,317,276
<b>Total Lease Assets</b>	<b>\$ 1,954,597</b>	<b>\$ 2,317,276</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current portion of lease liability	\$ 243,983	\$ 232,278
<b>Non-Current Liabilities</b>		
Lease liability, net of current portion	1,877,631	2,253,136
<b>Total Lease Liability</b>	<b>\$ 2,121,614</b>	<b>\$ 2,485,414</b>

The Company's lease agreements do not state an implicit borrowing rate; therefore, an internal incremental borrowing rate was determined based on information available at the lease commencement date for the purposes of determining the present value of lease payments. The incremental borrowing rate reflects the cost to borrow on a securitized basis in each market. The weighted-average remaining lease term and incremental borrowing rate is as follows:

<i>June 30, 2022</i>	<b>2023</b>	<b>2022</b>
Weighted-average remaining lease term - operating leases (in years)	<b>4.1</b>	<b>4.30</b>
Weighted-average discount rate - operating leases (%)	<b>5.5</b>	<b>4.90</b>

Future minimum lease payments (principal and interest) on the leases are as follows:

<i>Year ending June 30,</i>	<b>Operating Leases</b>	
	<b>2023</b>	<b>2022</b>
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	-
	<b>2,389,664</b>	<b>2,519,084</b>
<b>Less:</b>		
Imputed interest	(129,057)	(256,949)
Foreign currency adjustment	(40,133)	(45,979)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 2,220,474</b>	<b>\$ 2,216,156</b>

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

### 7. Accrued Liabilities and Other

Accrued liabilities and other are comprised of the following items:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>
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
<b>Total</b>	<b>\$ 8,216,140</b>	<b>\$ 4,387,076</b>

### 8. Convertible Notes

Convertible notes are comprised of the following items:

<i>June 30, 2022</i>	<b>2023</b>	<b>2022</b>
Convertible notes	\$ 17,000,000	\$ 10,000,000
Issuance costs	-	(87,221)
<b>Total</b>	<b>\$ 17,000,000</b>	<b>\$ 9,912,779</b>

On June 29, 2022, the Company offered and issued \$10 million of convertible notes to four different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through November 30, 2023, the date at which unpaid principal and interest was due and payable. Additional costs incurred to obtain the debt will also be amortized through interest expense under the effective interest method.

The notes also include conversion features. In the event the Company issues a new class of preferred stock to bona fide third-party investors on or before the maturity date in a transaction resulting in gross proceeds of at least \$50 million, then 50% of the outstanding principal balance of the notes, plus any accrued but unpaid interest, shall automatically convert into shares of the new class of preferred shares at a conversion price equal to the per share price paid by investors for such equity securities without any further action by noteholders. The remaining 50% and any accrued but unpaid interest thereon may be converted into shares of the new class of preferred shares at the noteholder's option. The total number of shares that a holder shall be entitled to receive upon conversion shall be equal to (x) the amount of principal and accrued but unpaid interest on such note called for conversion, divided by (y) the purchase price.

On July 27, 2022, the Company issued a convertible note to Meritor (a Series A investor) for \$2 million with the same terms and conditions as the other convertible notes.

On November 10, 2022, the Company issued \$5 million convertible note to four investors under the same terms and conditions as the original convertible notes for \$10 million.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

### 9. Loans Payable

Loans payable consisted of the following:

<i>June 30,</i>	2023	2022
SBA loan	\$ 109,797	\$ 129,490
Promissory notes	20,000,000	-
Miscellaneous	1,278	1,544
<b>Total Loans Payable</b>	<b>\$ 20,111,075</b>	<b>\$ 131,034</b>

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

<b>Balance, July 1, 2021</b>	\$ 162,315
Warranty expense incurred	107,135
<b>Balance, June 30, 2022</b>	269,450
Warranty expense incurred	599,646
<b>Balance, June 30, 2023</b>	<b>\$ 869,096</b>

The Company provides warranties on its SEA-Drive, propriety electric power system, conversion chassis, components, and workmanship for three years or 100,000 kilometers, whichever occurs first. Cost of sales within the consolidated statement of operations and comprehensive loss includes an amount equal to 1.5% of the sales price of the vehicle.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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### 11. Stockholders' Equity

#### *Common Shares*

The Company's certificate of incorporation authorized the Company to issue 12,500,000 shares of common stock with a par value of \$0.01. Holders of common stock are entitled to one vote in respect of each share held. All common shares rank equally as to dividend and liquidation rights.

During the year ended June 30, 2019, the Company signed an option deed with a consultant. The options were issued for \$6,944 (AUD\$10,000) consideration. The deed is effective from July 1, 2018, and provides three tranches of options, as follows: Tranche 1: 38,938 options effective July 1, 2018, Tranche 2: 38,938 options effective July 1, 2019, and Tranche 3: 38,937 options effective July 1, 2020. All options have a strike price of \$11.81 (AUD\$17.12) and expire on June 30, 2028. On March 6, 2019, the consultant exercised their rights and were issued 5,840 shares of common stock for total proceeds of \$78,669 (AUD\$99,989). In connection with the Re-Domiciliation discussed in Note 1, the 110,973 options were exchanged for 94,063 common shares of the Company.

In February 2021, the Company engaged VIII Capital to support the efforts to close the Series A funding. Under the agreement with VIII Capital, a fee of 6% of the gross proceeds was to be settled 50% through issuing shares in the Company and 50% to be settled through cash. Any shares issued would be on the same terms and conditions of the Series A funding. In addition, the Company issued stock options equal to 6% of the number of securities issued during the Series A funding. Each option is exercisable into one share of the Company at a price of \$40.20 (being the same price used in the Series A funding) and is valid for a period of six months following completion of a go-public transaction. In the event the market capitalization of the Company resulting from the go-public transaction exceeds \$650.0 million, the Company shall have the right to accelerate the expiry date of the options by giving 30 days' notice. The options expire in June 2026. In June 2021, 14,926 shares and 61,942 options were issued to VIII Capital. In connection with the Re-Domiciliation discussed in Note 1, the options were exchanged for 61,942 options in the Company at the same exercise price of \$40.20 with the same maturity date of June 2026.

#### *Series A Preferred Shares*

On July 9, 2021, the Company signed a Share Subscription Agreement to receive \$4,999,980 from Meritor Electric Vehicles LLC (MEV), a wholly owned subsidiary of Meritor Inc., a leading global supplier of drivetrain, mobility, braking, aftermarket, and electric powertrain solutions for commercial vehicle and industrial markets located in Troy, Michigan. The agreement provided for MEV, which owns 83,333 shares of Series A Preferred Shares valued at \$60.00 per share, to have observer rights for the Company's board meetings. Invested funds were received in full on the date of signing the agreement.

On November 15, 2021, Robert Neitzke (owner of GATR) invested \$5,000,000 into the Company and signed a Share Subscription Agreement dated November 29, 2021. The Company issued 62,500 Series A Preferred Shares at a price of \$80.00 per share in respect of this agreement.

On February 17, 2022, the Company raised \$10,200,000 through a Series A Funding round. The Company issued 127,500 Series A Preferred Shares at a price of \$80.00 per share.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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Series A Preferred Shares entitle the holder to same rights and privileges as the ordinary shares of the Company except as follows:

- To the extent the Company declares or pays dividends on any of the ordinary shares, the Company will declare and pay at a minimum the same dividend on each of the Series A Preferred Shares on an “as-converted basis.”
- The Company may also, but is not required to, declare and pay a dividend on the Series A Preferred Shares without declaring or paying the same or any dividend on ordinary shares.
- Each holder of a Series A Preferred share has one vote in a show of hands or in the instance of a poll, equal to the number of votes as ordinary shares on an “as-converted basis.”
- Series A Preferred Shares holds a priority right in the case of a liquidation event.
- Each Series A Preferred Share may be converted into ordinary shares equal to the amount of divided by the Conversion price as at the conversion date. All Series A Preferred Shares will automatically convert into ordinary shares at the then-effective conversion rate, immediately before a “Realization Event.” A Realization Event is defined as:
  1. A business sale.
  2. A share sale of 75% or more of the issued shares of the Company.
  3. An Initial Public Offering (IPO) of not less than \$75 million.
  4. Any other realization, including a merger, consolidation, acquisition, or sale of the Company, as a result of which the shareholders of the Company immediately before completion of the transaction do not, immediately after completion, hold a majority of the shares of the Company or the acquiring entity or surviving corporation.

These Series A Preferred Shares are treated as permanent equity under ASC 480, *Distinguishing Liabilities from Equity*.

### ***Series B Preferred Shares***

The Company is also authorized to issue 2,500,000 shares of Class B Preferred Shares with a par value of \$0.01. As of June 30, 2023, there were no shares of Class B Preferred Shares issued and outstanding.

## **12. Commitments and Contingencies**

### ***Legal Proceedings***

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the consolidated financial statements.

### ***Lease Commitments***

The Company leases various facilities and vehicles under non-cancelable operating leases, which expire at various dates through June 2028.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

### 13. Revenue

#### Revenue Recognition

Net sales include products and shipping and handling charges, net of estimates for customer allowances. Revenue is measured as the amount of consideration the Company is expected to receive in exchange for transferring products or providing a service to customers. All revenue is recognized when the Company satisfies the performance obligations under the contract. The Company recognizes revenue by transferring the promised products to the customer, with the majority of revenue recognized when the products are delivered to the customer. The majority of the Company's contracts have a single performance obligation and are short-term in nature.

#### Disaggregation of Revenue

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

Year ended June 30,	2023	2022
Products/services:		
SEA-Drive	\$ 16,632,537	\$ 5,778,725
Aftersales products and services	452,809	1,102,599
<b>Total Revenues</b>	<b>\$ 17,085,346</b>	<b>\$ 6,881,324</b>

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
<b>Total Revenues</b>	<b>\$ 17,085,346</b>	<b>\$ 6,881,324</b>

*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)
<b>Total Contract Liabilities</b>	<b>\$ 2,029,245</b>	<b>\$ 746,744</b>



## SEA Electric Inc.

### Notes to Consolidated Financial Statements (in U.S. dollars)

#### 14. Income Taxes

For the years ended June 30, 2023 and 2022, the Company has net losses and \$0 of current state tax expense recorded. The Company has recorded a full valuation allowance on its deferred tax assets for the years ended June 30, 2023 and 2022 and no deferred tax expense was recorded.

The reconciliation of the Company's effective taxes to the statutory federal income taxes is as follows:

<i>June 30,</i>	2023	2022
Statutory U.S. federal income tax rate of 21%	\$ (8,323,212)	\$ (6,894,811)
Foreign rate differential	(560,972)	(869,218)
State tax benefit, net of federal benefit	(946,311)	(689,111)
Permanent items	(124,799)	1,918,370
Valuation allowance	9,849,242	6,464,657
Other	106,052	70,113
<b>Income Tax Expense</b>	<b>\$ -</b>	<b>\$ -</b>

The following table summarizes the components of deferred tax:

<i>Year ended June 30,</i>	2023	2022
Deferred tax assets:		
Net operating loss	\$ 20,576,311	\$ 12,213,707
Non-deductible accrued expenses	1,412,737	456,883
Lease liability	174,707	231,077
Unrealized gain	350,123	345,912
Disallowed interest expense	524,638	-
Capitalized research costs/other	-	70
<b>Total Deferred Tax Assets</b>	<b>23,038,516</b>	<b>13,247,649</b>
Deferred tax liabilities:		
Depreciation	(172,892)	(177,642)
Right-of-use asset	(162,407)	(215,841)
<b>Total Deferred Tax Liabilities</b>	<b>(335,299)</b>	<b>(393,483)</b>
Valuation allowance	(22,703,217)	(12,854,166)
<b>Net Deferred Tax Balance</b>	<b>\$ -</b>	<b>\$ -</b>

At June 30, 2023 and 2022, the Company had a federal net operating loss carryforward of \$56.2 million and \$29.5 million, respectively, which has an indefinite carryforward period, and a state net operating loss carryforward of \$29.8 million and \$13.7 million, respectively, which will begin to expire in 2040. In addition, at June 30, 2023 and 2022, the Company has foreign net operating loss carryforwards of \$22.9 million and \$16.3 million, respectively, primarily related to Australia, which has an indefinite carryforward period. The Company believes that it is more likely than not that the benefit from the net operating loss carryforwards and other deferred tax assets will not be realized. In recognition of this risk, the Company has recorded a full valuation allowance as of June 30, 2023 and 2022.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. The Company is generally subject to examination by taxing authorities for years ended June 30, 2020.

The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the consolidated statements of operations and comprehensive loss. No interest or penalties have been accrued on the consolidated balance sheets at June 30, 2023 or 2022.

### 15. Concentrations of Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. A small portion of cash is held on hand, from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

### 16. Related Party Transactions

On July 10, 2018, the Company entered into a ten-year lease agreement with the Bellstar Family Trust and Far Superannuation Fund (the lessors) for Unit 1, 13 Advantage Dr, Dandenong South VIC 3175, Australia. The Company pays to the lessors monthly rent of AUD\$25,000, escalating annually by 3%. The Company's Chief Executive Officer and a founding shareholder are Trustees of the Bellstar Family Trust and Far Superannuation Fund, respectively. Total rent paid under this lease was approximately \$250,000 and \$241,000 for the years ended June 30, 2023 and 2022, respectively.

The Company makes monthly payments of AUD\$25,000 to AST Global for engineering consultancy services provided by a shareholder of the Company. AST Global is wholly owned and controlled by a founding shareholder of the Company.

#### *Consulting Fees with John Pratt*

The Company entered into a consulting agreement with John Pratt, effective July 1, 2020 to May 31, 2021, to provide strategic and financial advice. During fiscal 2021, the Company incurred consulting costs under this arrangement of \$838,250, all of which was accrued at June 30, 2022 and is included in accrued liabilities and other in the consolidated balance sheets. During 2022, John Pratt was appointed as a director of the Company.

### 17. Subsequent Events

On July 19, 2023, The Company obtained \$10 million in promissory notes from several different noteholders. Upon the issuance of the notes, the Company also became obligated to pay a success fee to each noteholder equal to 10% of the principal amount of the notes. The fee shall be paid-in-kind and added to the principal amount of the notes. The notes accrue simple interest at a rate of 1% per month on the original face value of the notes, excluding the principal balance increase resulting from the addition of the fee. The fee will be amortized through interest expense through November 30, 2023, the date on which unpaid principal and interest was due and payable.

# SEA Electric Inc.

## Notes to Consolidated Financial Statements (in U.S. dollars)

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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.

**SCHEDULE "C"**  
**PRO FORMA FINANCIAL INFORMATION OF EXRO**

## Unaudited Pro Forma Condensed Combined Consolidated Financial Information

The accompanying unaudited pro forma condensed combined consolidated financial information give effect to the proposed transaction between Exro Technologies Inc. (the “Company” or “Exro”), eTruck VCU Acquisition Inc., an indirect subsidiary of the Company, and SEA Electric Inc. (“SEA”), under the acquisition method of accounting. On January 30, 2024, Exro and eTruck VCU Acquisition Inc. entered into an Agreement and Plan of Merger (the “Merger Agreement”) with SEA to acquire 100% of the outstanding shares of SEA, a company incorporated under the laws of Delaware, valued at approximately US\$300 million. Exro will issue, based on the Company’s weighted average common share price over the last 10 trading days prior to the Merger Agreement of \$1.03 per share (US\$0.7680 per share), a combination of common shares (the “Exro Common Shares”) and non-voting convertible preferred shares (the “Exro Convertible Shares”), subject to customary closing adjustments as described in Merger Agreement. Completion of the merger remains subject to the satisfaction of certain conditions, including, but not limited to, obtaining shareholder approval and obtaining required regulatory approvals.

The unaudited pro forma condensed combined consolidated balance sheet gives effect to the merger, SEA debt restructuring, and the related financings as if such had closed on September 30, 2023. The unaudited pro forma condensed consolidated statements of net loss for the nine months ended September 30, 2023, and for the year ended December 31, 2022, give effect to the merger, SEA debt restructuring, and related financings as if such had closed on January 1, 2022.

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

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

The unaudited pro forma condensed combined consolidated financial information are presented for informational purposes only and is not necessarily indicative of the financial position and results of operations that would have been achieved had the merger and related transactions occurred on the dates indicated. The unaudited pro forma condensed combined consolidated financial information includes pro forma adjustments for which there are firm commitments and the complete financial effects are objectively determinable, as well as adjustments to conform SEA’s financial information to Exro’s accounting policies. The pro forma adjustments are based on available information and certain assumptions that the Company believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma condensed combined consolidated financial information. The unaudited pro forma condensed combined consolidated statements of net loss include adjustments that are expected to have a continuing impact on the condensed combined consolidated results but excludes adjustments arising from non-recurring events of the merger, that are not expected to continue in future periods. The unaudited pro forma condensed combined consolidated balance sheet includes adjustments that are directly attributable to the merger and factually supportable, regardless of whether they have a continuing effect or are non-recurring. The unaudited pro forma condensed combined consolidated financial information does not give effect to potential cost savings, operational synergies, and revenue enhancements, if any, that may result from the merger or the costs to achieve these costs savings, operating synergies, and revenue enhancements.

The unaudited pro forma information presented, including allocation of purchase price, is based on preliminary estimates of fair values of assets acquired and liabilities assumed, available information and assumptions that management of Exro believes are reasonable under the circumstances and may be revised as additional information becomes available. The actual adjustments to the consolidated financial statements of the Company upon the closing of the merger will depend on a number of factors, including additional information available and the net assets of SEA on the closing date of the merger. Therefore, the actual adjustments will differ from the pro forma adjustments and the differences may be material. For example, the final purchase price allocation is

dependent on, among other things, the finalization of asset and liability valuations. Any final adjustment may change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed combined consolidated financial information, including a change to goodwill.

**Exro Technologies Inc.**  
**Pro Forma Condensed Combined Consolidated Statement of Financial Position**  
As at September 30, 2023  
*(Expressed in Canadian dollars – Unaudited)*

	Historical		Pro forma Adjustments	Notes	Pro forma Consolidated
	Exro	SEA (Note 3)			
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	19,700,822	2,482,280	27,850,000 (7,330,000) (14,950,000)	4(e) 4(g) 4(k)	27,753,102
Accounts receivable	563,837	4,107,627			4,671,464
Prepaid expense	3,486,763	1,358,868			4,845,631
Inventory	4,977,139	23,007,042			27,984,181
	<b>28,728,561</b>	<b>30,955,817</b>	<b>5,570,000</b>		<b>65,254,378</b>
Investments	10,818,473	—	(4,501,036) (6,317,437)	4(d) 4(d)	—
Property, plant and equipment	29,950,292	4,019,514			33,969,806
Intangible assets	—	—	122,977,425	4(b)	122,977,425
Goodwill	—	—	229,150,278	4(b)	229,150,278
Derivative asset	3,110,810	—	(3,110,810)	4(k)	—
<b>TOTAL ASSETS</b>	<b>72,608,136</b>	<b>34,975,331</b>	<b>343,768,420</b>		<b>451,351,887</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	4,701,075	23,189,357			27,890,432
Lease liability - current portion	1,119,308	331,585			1,450,893
Convertible notes	—	26,229,665	(26,229,665)	4(c)(i)	—
Contract liabilities	—	2,263,901			2,263,901
Warrant liability	—	—	7,425,069	4(c)(ii)	7,425,069
Senior convertible promissory notes	—	—	63,262,100	4(c)(ii)	63,262,100
	<b>5,820,383</b>	<b>52,014,508</b>	<b>44,457,504</b>		<b>102,292,395</b>
Long-term debt	50,000	145,004			195,004
Lease liability - long-term portion	6,006,328	2,528,143			8,534,471
Convertible debentures	11,929,998	—	(11,929,998)	4(k)	—
Promissory notes/SBA Loan	—	42,810,075	(42,810,075)	4(c)(i)	—
Warranty provision	—	1,225,423			1,225,423
Deferred tax liability	—	—	29,514,582	4(b)	29,514,582
<b>TOTAL LIABILITIES</b>	<b>23,806,709</b>	<b>98,723,153</b>	<b>19,232,013</b>		<b>141,761,875</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	152,998,157	80,804,007	(80,804,007) 27,850,000 118,448,510	4(f) 4(e) 4(a)	299,296,667
Preferred convertible shares	—	—	129,881,630	4(a)	129,881,630
Contributed surplus	28,154,277	18,000,930	(18,000,930) 2,570,293	4(f) 4(a)	30,724,570
Equity component of convertible debentures	991,295	—	(991,295)	4(k)	—
Deficit	(132,695,216)	(159,125,757)	159,125,757 (4,501,036) (7,330,000) (5,139,517)	4(f) 4(d) 4(g) 4(k)	(149,665,769)
Accumulated other comprehensive loss	(647,086)	(3,427,002)	3,427,002	4(f)	(647,086)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>48,801,427</b>	<b>(63,747,822)</b>	<b>324,536,407</b>		<b>309,590,012</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>72,608,136</b>	<b>34,975,331</b>	<b>343,768,420</b>		<b>451,351,887</b>

See accompanying notes to the unaudited pro forma condensed combined consolidated financial information

**Exro Technologies Inc.**  
**Pro Forma Condensed Combined Consolidated Statement of Net Loss**  
For the nine months ended September 30, 2023  
*(Expressed in Canadian dollars, except per share amounts – Unaudited)*

	Historical		Pro forma Adjustments	Notes	Pro forma Consolidated
	Exro	SEA (Note 3)			
Revenue	4,800,730	12,003,243			16,803,973
Cost of sales	2,508,252	13,562,736			16,070,988
<b>GROSS PROFIT</b>	<b>2,292,478</b>	<b>(1,559,493)</b>	—		<b>732,985</b>
<b>EXPENSES</b>					
Payroll and consulting	12,195,221	15,839,558			28,034,779
Research and development	8,351,059	1,917,418			10,268,477
Selling, general and administration	7,183,330	15,947,443			23,130,773
Interest expense (income)	1,850,855	4,158,486	6,769,469	4(c)(ii)	18,145,629
			6,284,158	4(c)(ii)	
			(917,339)	4(k)	
Depreciation and amortization expense	2,205,648	226,351	9,223,307	4(h)	11,655,306
Share-based payments	3,118,962	—			3,118,962
Loss on disposal of assets	96,844	—			96,844
<b>TOTAL EXPENSES</b>	<b>(35,001,919)</b>	<b>(38,089,256)</b>	<b>(21,359,595)</b>		<b>(94,450,770)</b>
Change in fair value of derivative asset	721,248	—			721,248
Foreign exchange gain (loss)	44,978	—			44,978
Other income (loss)	89,591	2,092,177			2,181,768
<b>NET LOSS</b>	<b>(31,853,624)</b>	<b>(37,556,572)</b>	<b>(21,359,595)</b>		<b>(90,769,791)</b>
Loss per share - basic and diluted	(0.20)			4(i)	(0.19)
Weighted average number of shares outstanding	159,148,244		322,506,675	4(i)	481,654,919

See accompanying notes to the unaudited pro forma condensed combined consolidated financial information



**Exro Technologies Inc.**  
**Pro Forma Condensed Combined Consolidated Statement of Net Loss**  
For the year ended December 31, 2022  
*(Expressed in Canadian dollars, except per share amounts – Unaudited)*

	Historical		Pro forma Adjustments	Notes	Pro forma Consolidated
	Exro	SEA (Note 3)			
Revenue	2,185,448	20,530,739			22,716,187
Cost of sales	1,900,688	33,661,760			35,562,448
<b>GROSS PROFIT</b>	<b>284,760</b>	<b>(13,131,021)</b>	<b>—</b>		<b>(12,846,261)</b>
<b>EXPENSES</b>					
Payroll and consulting	13,786,604	23,202,285			36,988,889
Selling, general and administration	11,119,270	16,261,199			27,380,469
Research and development	8,765,501	1,877,711			10,643,212
Share-based payments	2,605,472	—			2,605,472
Depreciation and amortization expense	2,245,124	971,482	12,297,743	4(h)	15,514,349
Interest expense (income)	862,529	1,076,574	7,279,770	4(c)(ii)	16,961,413
			7,742,540	4(c)(ii)	
Loss on disposal of assets	66,268	—			66,268
<b>TOTAL EXPENSES</b>	<b>(39,450,768)</b>	<b>(43,389,251)</b>	<b>(27,320,053)</b>		<b>(110,160,072)</b>
Gain (loss) on investment	(2,700,221)	—	2,700,221	4(d)	—
Foreign exchange gain (loss)	1,776,303	—			1,776,303
Other income (loss)	65,014	134,013			199,027
<b>NET LOSS</b>	<b>(40,024,912)</b>	<b>(56,386,259)</b>	<b>(24,619,832)</b>		<b>(121,031,003)</b>
Loss per share - basic and diluted	(0.29)			4(i)	(0.26)
Weighted average number of shares outstanding	137,685,067		322,506,675	4(i)	460,191,742

See accompanying notes to the unaudited pro forma condensed combined consolidated financial information

**1. Basis of Presentation**

The unaudited pro forma condensed combined consolidated balance sheet gives effect to the merger, SEA debt restructuring, and the related financing as if such had closed on September 30, 2023. The unaudited pro forma condensed combined consolidated statements of net loss for the nine months ended September 30, 2023, and for the year ended December 31, 2022, give effect to the merger, SEA debt restructuring, and related financings as if such had closed on January 1, 2022.

The historical unaudited condensed consolidated balance sheet of the Company as at September 30, 2023, the historical unaudited condensed consolidated statement of comprehensive loss for the three and nine months ended September 30, 2023, and the historical audited consolidated statement of comprehensive loss for the year ended December 31, 2022, were prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The historical unaudited consolidated balance sheet of SEA as at September 30, 2023, the historical unaudited consolidated statement of comprehensive loss for the three months ended September 30, 2023, and the historical audited consolidated statements of comprehensive loss for the years ended June 30, 2023 and June 30, 2022, were prepared in accordance with accounting principles generally accepted in the United States of America as determined by Financial Accounting Standards Board (“FASB”) within its Accounting Standards Codification (“ASC”).

The accompanying unaudited pro forma condensed combined consolidated financial information utilize accounting policies that are consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2022 and were prepared in accordance with recognition and measurement principles of IFRS. For purposes of preparing the unaudited pro forma condensed combined consolidated financial information, the Company has made certain reclassifications to the consolidated balance sheet and the consolidated statement of operations of SEA to conform to the presentation adopted by the Company under IFRS (note 3). The Company has determined that there are no material differences between US GAAP and IFRS as it relates to SEA, except for the recognition of convertible notes, as disclosed in note 4(c)(i).

The merger has been accounted for using the acquisition method. Based on the purchase price calculation as detailed in the Merger Agreement, the estimated net purchase price for SEA is \$250,900,433 (US\$185,553,797) (see note 4a).

The accompanying unaudited pro forma condensed combined consolidated financial information may not be indicative of the results that would have been achieved if the transactions reflected therein had been completed on the dates indicated, or the results which may be obtained in the future. For instance, the actual purchase price allocation will reflect the fair value, at the purchase date, of consideration transferred and the assets acquired, and liabilities assumed based upon the Company’s evaluation of such assets and liabilities following the closing of the merger. Accordingly, the final purchase price allocation may differ materially from the preliminary allocation reflected herein.

The accompanying unaudited pro forma condensed combined consolidated financial information should be read in conjunction with the Merger Agreement, and the accompanying financing provided in the prospectus supplement, the audited financial statements of SEA as at and for the years ended June 30, 2023 and 2022, including the notes thereto, the unaudited condensed consolidated interim financial statements of SEA as at and for the three months ended September 30, 2023, including the notes thereto, the audited consolidated financial statements of the Company as at and for the years ended December 31, 2022 and 2021, including the notes thereto, incorporated by reference in the prospectus supplement, and the unaudited condensed consolidated interim financial statements of the Company as at and for the nine months ended September 30, 2023, including the notes thereto, incorporated by reference in the prospectus supplement.

The underlying assumptions for the pro forma adjustments provide a reasonable basis for presenting the significant financial effects directly attributable to the merger, SEA debt restructuring, and the related financing. These pro forma adjustments are preliminary and are based on currently available financial information and certain estimates and assumptions. The Company has yet to finalize their determination of the fair value of property, plant, and equipment and the identification of all intangible assets, of SEA, and has therefore used carrying value with certain adjustments in the preliminary purchase price allocation presented in the unaudited pro forma condensed combined consolidated financial information. The actual adjustments to the unaudited pro forma condensed combined consolidated financial information will depend on a number of factors, including additional information available and the net assets of SEA on the closing date of the merger. Therefore, it is expected that the actual adjustments will differ from the pro forma adjustments, and the differences may be material. Any final adjustment may change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed consolidated financial statements, including a change to goodwill.

**Exro Technologies Inc.****Notes to the Pro Forma Condensed Combined Consolidated Financial Information**

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
(Expressed in Canadian dollars unless otherwise noted – unaudited)

**2. Description of the Transaction**

Pursuant to the Merger Agreement, the estimated net purchase price for the acquisition is \$250,900,433 (US\$185,533,797) for the outstanding shares of SEA, and certain securities instruments including outstanding warrants and options, which will be converted to Exro options and Exro warrants as part of the Merger Agreement.

The accompanying unaudited pro forma condensed combined consolidated financial information assume, at closing, the merger will be completed through the issuance of Exro shares, at an exchange ratio of 65.9629 to 1.00 SEA share. SEA shareholders will receive a combination of common shares, and convertible preferred shares, at a rate of 0.47698 common shares and 0.52302 convertible preferred shares.

On January 18, 2024, SEA entered into a debt restructuring agreement, whereby the existing promissory notes were converted into new promissory notes and convertible notes were partially exercised into SEA common shares, with the remaining amount restructured into the new promissory notes. The total amount of debt restructured, including accrued interest was US\$43,000,000 (C\$58,439,150). In addition to the restructuring and settlement of the outstanding debt, SEA's lenders agreed to issue an additional US\$9,000,000 (C\$12,231,450). The estimated outstanding debt as at January 18, 2024, the date of the restructuring agreement, was US\$52,000,000 (C\$70,670,600). The restructuring agreement is further discussed in note 4(c).

Concurrent with the Transaction, and discussed the prospectus supplement, Exro announced a capital raise for an aggregate amount of approximately \$30 million (US\$22 million) through the issuance of subscription receipts of Exro (the "Subscription Receipts").

**3. Historical SEA****a. SEA Statement of Financial Position allocation adjustments**

This historical SEA consolidated statement of financial position has been constructed by adjusting the unaudited balance sheet as at September 30, 2023 to reclassify certain items to conform with Exro's presentation on the pro forma condensed combined consolidated statement of financial position. The Company did not identify any material differences between US GAAP and IFRS to adjust for as at September 30, 2023, aside from the treatment on convertible instruments which impact both convertible notes and promissory notes. As a result of the proposed transaction, the impact on convertible notes and promissory notes on the historical financial statements does not have a material impact. In connection with proposed transaction, a portion of the convertible notes were redeemed for SEA shares and the remaining amount restructured into new senior secured promissory notes (note 2). The full balance of the promissory notes were converted into new senior secured promissory notes (note 2). As a result of the conversion and debt restructuring, the GAAP difference is not considered material, and adjustments on the treatment of the senior secured promissory note have been adjusted through the purchase price allocation as described in note 4(c).

**SEA Consolidated Statement of Financial Position as at September 30, 2023**

	USD	USD		CAD	CAD
	SEA	Allocation adjustments	Notes	Impact of Foreign Exchange <sup>1</sup>	SEA Canadian equivalent
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1,826,482			655,798	2,482,280
Accounts receivable	3,022,425			1,085,202	4,107,627
Prepaid expense	999,866			359,002	1,358,868
Inventory	16,928,768			6,078,274	23,007,042
	22,777,541	—		8,178,276	30,955,817
Property, plant and equipment	1,018,907	1,938,684	3(a)(i)	1,061,923	4,019,514
Right-of-use assets	1,938,684	(1,938,684)	3(a)(i)	—	—
<b>TOTAL ASSETS</b>	<b>25,735,132</b>	<b>—</b>		<b>9,240,199</b>	<b>34,975,331</b>

<sup>1</sup> The column was derived from the historical balance sheet as at September 30, 2023 of SEA, which was prepared in US dollars. The exchange rate used to translate the US dollar amount to Canadian dollars as at September 30, 2023 was \$1.3591 to US \$1.00.

**Exro Technologies Inc.**

**Notes to the Pro Forma Condensed Combined Consolidated Financial Information**

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
(Expressed in Canadian dollars unless otherwise noted – unaudited)

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	10,444,337	6,618,580	3(a)(ii)	6,126,440	23,189,357
Accrued liabilities	10,418,580	(6,618,580)	3(a)(ii)	—	—
		(2,300,000)	3(a)(iii)		
		(1,500,000)	3(a)(iii)		
Lease liability - current portion	243,983			87,602	331,585
Convertible notes	17,000,000	2,300,000	3(a)(iii)	6,929,665	26,229,665
Contract liabilities	1,665,797			598,104	2,263,901
	39,772,697	(1,500,000)		13,741,811	52,014,508
Promissory notes/SBA Loan	30,106,695	(106,695)	3(a)(iv)	11,310,075	42,810,075
		1,500,000	3(a)(iii)		
Long-term debt	—	106,695	3(a)(iv)	38,309	145,004
Lease liability - long-term portion	1,860,228			667,915	2,528,143
Warranty provision	901,676			323,747	1,225,423
<b>TOTAL LIABILITIES</b>	<b>72,641,296</b>	<b>—</b>		<b>26,081,857</b>	<b>98,723,153</b>

**SHAREHOLDERS' EQUITY**

Share capital	28,741	59,427,502	3(a)(v)	21,347,764	80,804,007
Series A preferred shares	59,427,502	(59,427,502)	3(a)(v)	—	—
Contributed surplus	13,245,230			4,755,700	18,000,930
Deficit	(117,086,021)			(42,039,736)	(159,125,757)
Accumulated other comprehensive loss	(2,521,616)			(905,386)	(3,427,002)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(46,906,164)</b>	<b>—</b>		<b>(16,841,658)</b>	<b>(63,747,822)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>25,735,132</b>	<b>—</b>		<b>9,240,199</b>	<b>34,975,331</b>

- i. Right-of-use assets have been reclassified to property, plant and equipment to align with Exro's presentation.
- ii. Total amount of US\$6,618,580 has been reclassified from accrued liabilities under SEA's financial statement presentation, to be included in accounts payable and accrued liabilities, representing current liabilities on the pro forma condensed combined consolidated statement of financial position.
- iii. Balances of US\$2,300,000 and US\$1,500,000 represent accrued interest on the convertible notes and promissory notes respectively. The balances have been reclassified to be included against the total outstanding balances for the convertible notes and promissory notes.
- iv. Interest accrued on the SBA loan has been reclassified to align with Exro's presentation, and allocated to long-term debt.
- v. As a result of the proposed transaction, all SEA shares, including both common shares and series A preferred shares will be exchanged for Exro common shares, as such, all series A preferred shares have been reclassified to share capital and then eliminated on consolidation.

**b. SEA Statement of Comprehensive Income allocation adjustments**

The historical SEA statement of net loss for the nine months ended September 30, 2023 was calculated from the audited statement of comprehensive income for the year ended June 30, 2023, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022, and to include amounts from the historical unaudited statement of comprehensive income for the three months ended September 30, 2023. SEA's historical statements of comprehensive income were prepared in US dollars. Certain adjustments, as described below, have been made to SEA's historical statement of comprehensive income to align with the presentation of Exro's financial statements for the purposes of constructing the pro forma financial information, including the impact of foreign exchange.

Exro Technologies Inc.

Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
(Expressed in Canadian dollars unless otherwise noted – unaudited)

SEA Consolidated Statement of Net Loss for the nine months ended September 30, 2023

	USD	USD		CAD	CAD
	SEA	Allocation adjustments	Notes	Impact of Foreign Exchange <sup>2</sup>	SEA Canadian equivalent
Revenue	8,916,772	—		3,086,471	12,003,243
Cost of sales	10,075,263	—		3,487,473	13,562,736
<b>GROSS PROFIT</b>	<b>(1,158,491)</b>	<b>—</b>		<b>(401,002)</b>	<b>(1,559,493)</b>
<b>EXPENSES</b>					
Payroll and consulting	—	11,766,631	3(b)(i)	4,072,927	15,839,558
Research and development	1,424,380	—		493,038	1,917,418
Selling, general and administration	23,781,554	(11,934,779)	3(b)(i)	4,100,668	15,947,443
Interest expense (income)	3,089,188	—		1,069,298	4,158,486
Depreciation expense	—	168,148	3(b)(i)	58,203	226,351
<b>TOTAL EXPENSES</b>	<b>(28,295,122)</b>	<b>—</b>		<b>(9,794,134)</b>	<b>(38,089,256)</b>
Other income (loss)	1,554,202	—		537,975	2,092,177
<b>NET LOSS</b>	<b>(27,899,411)</b>	<b>—</b>		<b>(9,657,161)</b>	<b>(37,556,572)</b>

The historical SEA statement of net loss for the year ended December 31, 2022 was calculated from the audited statement of comprehensive income for year ended June 30, 2022, adjusted to exclude amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2021, and to include amounts from the historical unaudited statement of comprehensive income for the six months ended December 31, 2022. SEA's historical statements of comprehensive income were prepared in US dollars. Certain adjustments, as described below, have been made to SEA's historical statement of comprehensive income to align with the presentation of Exro's financial statements for the purposes of constructing the pro forma financial information, including the impact of foreign exchange.

SEA Consolidated Statement of Net Loss for the year ended December 31, 2022

	USD	USD		CAD	CAD
	SEA	Allocation adjustments	Notes	Impact of Foreign Exchange <sup>3</sup>	SEA Canadian equivalent
Revenue	15,779,524	—		4,751,215	20,530,739
Cost of sales	25,871,770	—		7,789,990	33,661,760
<b>GROSS PROFIT</b>	<b>(10,092,246)</b>	<b>—</b>		<b>(3,038,775)</b>	<b>(13,131,021)</b>
<b>EXPENSES</b>					
Payroll and consulting	—	17,832,822	3(b)(i)	5,369,463	23,202,285
Selling, general and administration	31,077,523	(18,579,484)	3(b)(i)	3,763,160	16,261,199
Research and development	1,443,172	—		434,539	1,877,711
Depreciation expense	—	746,662	3(b)(i)	224,820	971,482
Interest expense (income)	827,434	—		249,140	1,076,574
<b>TOTAL EXPENSES</b>	<b>(33,348,129)</b>	<b>—</b>		<b>(10,041,122)</b>	<b>(43,389,251)</b>
Other income (loss)	103,000	—		31,013	134,013
<b>NET LOSS</b>	<b>(43,337,375)</b>	<b>—</b>		<b>(13,048,884)</b>	<b>(56,386,259)</b>

<sup>2</sup> The exchange rate used to translate the US dollar amounts is the average rate for the nine months ended September 30, 2023, of \$1.3461 for US \$1.00.

<sup>3</sup> The exchange rate used to translate the US dollar amounts is the average rate for the year ended December 31, 2023, of \$1.3011 for US \$1.00.

## Exro Technologies Inc.

### Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
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- i. The pro forma condensed combined consolidated statement of net loss takes into account certain adjustments to selling, general and administration costs to align with Exro's presentation. Amounts related to payroll and consulting, and depreciation, have been reallocated from selling, general and administration to the respective categories per Exro's statement of comprehensive loss.

#### 4. Pro Forma Adjustments

The pro forma adjustments have been prepared by the Company using available information and certain assumptions that management believes are reasonable under the circumstances. The pro forma adjustments included in the unaudited pro forma consolidated statements are as follows:

##### a. Purchase price

	Securities Issued	Consideration	Notes
Common shares	153,829,234	118,448,510	4(a)(i)
Preferred shares	168,677,441	129,881,630	4(a)(i)
Options	4,085,873	2,570,293	4(a)(ii)
<b>Estimated purchase price</b>		<b>250,900,433</b>	

- i. The share exchange ratio was calculated at 65.96 to 1.00 SEA, based on the 10-day vwap of Exros trading price as at January 30, 2024, to be issued in a combination of Exro Common Shares and Exro Convertible Preferred Shares, such that Exro retains the majority voting rights. An estimated 157,742,599 Common Shares will be issued and 172,968,540 Convertible Preferred Shares in exchange for the outstanding SEA shares. The consideration has been calculated using Exro's share price of \$0.77, reflective of the closing price on February 27, 2024. The total consideration paid will be based on the share price as of the date of close and may change materially.
- ii. Pursuant to the Merger Agreement, outstanding options 61,942 held in SEA, are to be converted into Exro options in accordance with the exchange ratio, for a total of 4,085,873 options post close. In accordance with IFRS 2, share-based payment, the value of the options and warrants immediately prior to the merger are calculated as part of the purchase price consideration. All outstanding options are fully vested, and the difference between the value post merger is considered to be remuneration of Exro subsequent to the merger.

All options are converted at the same exchange ratio. The exercise price of the options is adjusted based on the exchange ratio. The fair value of options has been calculated using a black-scholes model.

##### b. Allocation of the estimated net purchase price

	SEA <sup>4</sup>	Fair value adjustments	Notes	Debt restructuring and US GAAP to IFRS considerations	Notes	Fair Value
<b>Assets acquired</b>						
Cash and cash equivalents	2,482,280		4(b)(ii)			2,482,280
Accounts receivable	4,107,627		4(b)(ii)			4,107,627
Prepaid expense	1,358,868		4(b)(ii)			1,358,868
Inventory	23,007,042		4(b)(ii)			23,007,042
Property, plant and equipment	4,019,514		4(b)(ii)			4,019,514
Intangible assets	—	122,977,425	4(b)(i)			122,977,425
<b>Total assets acquired</b>	<b>34,975,331</b>	<b>122,977,425</b>			—	<b>157,952,756</b>
<b>Liabilities assumed</b>						
Accounts payable and accrued liabilities	23,189,357		4(b)(ii)			23,189,357
Lease liability - current portion	331,585		4(b)(iii)			331,585
Long-term debt	145,004		4(b)(ii)			145,004

<sup>4</sup> The exchange rate used to translate the US dollar amount to Canadian dollars as at September 30, 2023 was \$1.3591 to US \$1.00.

## Exro Technologies Inc.

### Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
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Convertible notes	26,229,665		(26,229,665)	4(c)	—
Contract liabilities	2,263,901	4(b)(ii)			2,263,901
Promissory notes/SBA Loan	42,810,075		(42,810,075)	4(c)	—
Senior convertible promissory notes	—		63,262,100	4(c)	63,262,100
Lease liability - long-term portion	2,528,143	4(b)(iii)			2,528,143
Warranty provision	1,225,423	4(b)(ii)			1,225,423
Warrant liability	—		7,425,069	4(c)	7,425,069
Deferred tax liability	—	29,514,582	4(b)(iv)		29,514,582
<b>Total liabilities acquired</b>	<b>98,723,153</b>	<b>29,514,582</b>	<b>1,647,429</b>		<b>129,885,164</b>
Net assets at fair value as at September 30, 2023	(63,747,822)	93,462,843	(1,647,429)		28,067,592
Estimated purchase price					250,900,433
Fair value of shares previously held in SEA				4(d)	6,317,437
<b>Goodwill</b>					<b>229,150,278</b>

Under the acquisition method, the acquired tangible and intangible assets and assumed liabilities of the acquired entity are primarily measured at their estimated fair value at the date of Merger. The estimated fair values and useful lives of assets acquired, and liabilities assumed are preliminary and subject to final valuation adjustments which may cause some of the amounts ultimately recorded as goodwill to be materially different from those shown on the unaudited pro forma condensed consolidated balance sheet. The preliminary estimates used to prepare the pro forma information presented will be updated after the closing of the merger based upon management's final analysis. Any excess of the purchase price over the preliminary estimated fair value of net assets acquired would be classified as goodwill on the accompanying unaudited pro forma condensed consolidated combined balance sheet. Such goodwill is not amortized but would be evaluated for impairment on at least an annual basis. The Company has yet to determine the fair value of SEA's assets and liabilities, and has therefore used the following approach:

- i. The Company has allocated a portion of the proceeds to intangible assets expected to be realized through the merger. The fair value of the intangible assets is preliminary, and may change materially on the final valuation.
- ii. The carrying value of property, plant and equipment, working capital items, and warranty provision are assumed to approximate its fair value.
- iii. The carrying value of current and long-term lease liabilities have been assumed to approximate their fair value. A difference may exist in the use of the incremental borrowing rate; however, the amounts are not expected to have a material impact on the calculation.
- iv. The deferred tax liability arises from the difference in accounting and tax basis on the intangible assets acquired through the merger. The amount has been calculated based on SEA's combined US tax rate of 24%, including both federal and applicable state taxes. Subsequent adjustments to the deferred tax liability may occur based on the jurisdiction of certain intangible assets acquired and further consideration as to whether SEA has deferred tax assets that have not previously been recognized that could be recorded to offset the deferred tax liability recorded. Any reduction in the deferred tax liability would result in a corresponding reduction in goodwill recorded on the transaction.

#### c. Debt restructuring

- i. SEA outstanding debt and IFRS to US GAAP conversion differences

In connection with the Merger Agreement, and described in note 2, SEA's outstanding promissory notes and convertible notes were restructured including:

- Of the US\$17,000,000 outstanding convertible notes, \$15,000,000 were owned by one investor and converted at 50% of the face value, 50% of the 10% success fee, and 100% of the accrued interest to SEA shares prior to the Merger Agreement. The remaining US\$2,000,000 of convertible notes were fully converted to common shares, including accrued interest. The total balance converted into SEA common shares, including the success fee and accrued interest, was US\$11,000,000 (C\$14,949,550). The amounts have been included in the purchase price consideration through the total SEA shares exchanged.

## Exro Technologies Inc.

### Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
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- The remaining convertible notes, and related success fee, were exchanged for new convertible notes totaling US\$10,400,000 (C\$14,134,120).
- The balance of promissory notes, including accrued interest, were exchanged for new convertible notes totaling US\$32,600,000 (C\$44,305,030).
- In addition to the US\$43,000,000 (C\$58,439,150), SEA received proceeds of US\$4,000,000 (C\$5,436,200) through the issuance of convertible notes prior to the merger agreement, and is expected to receive an additional US\$5,000,000 (C\$6,795,250) through the issuance of convertible notes subsequent to the signing of the merger agreement. The US\$9,000,000 (C\$12,231,450) has been excluded from the pro forma adjustments, as the amounts are expected to be utilized in funding SEA’s working capital requirements through to close.

The total amounts related to the convertible notes and promissory notes have been reversed from SEA’s balance sheet through the pro forma adjustments, and replaced with the restructured debt discussed in note 4(c)(ii) and common shares included in the purchase price consideration. Differences between IFRS and US GAAP are further discussed below as it relates to the historical SEA debt instruments.

#### US GAAP to IFRS Differences

Under US GAAP the SEA convertible notes held prior to the debt restructuring, were treated as a liability with no embedded features under ASC 815 that were required to be bifurcated from the convertible note. Under IFRS, the convertible note would be assessed in accordance with IFRS 9, which would require the separation of embedded derivatives, including the prepayment feature and conversion feature. Furthermore the promissory notes included a warrant issued to the debt holders and a prepayment feature, which would be accounted for as a derivatives under IFRS. As the accounting is not relevant to the ongoing business due to the debt restructuring, the impacts have not been further quantified.

#### ii. Restructured debt

The restructuring agreement was entered into on January 18, 2024, and total SEA debt outstanding is expected to be approximately US\$52,000,000 (C\$70,670,600) at an interest rate of 12% per annum, payable on June 30 and December 31 annually. The debt will mature on the later to occur of the third anniversary of (i) the contemplated transaction closing, or (ii) the date of issuance. On close of the transaction, the notes will be exchanged for Exro Senior Secured Convertible Promissory Notes. The restructured debt has been provided for on terms similar to those that would have been expected on a debt facility not linked to the previously outstanding debt.

At the holders' option, beginning on the first anniversary of the transaction closing, the debentures may be converted into common shares of the Company at an exercise price equal to 125% of the offering price of \$0.95 per share.

Beginning on the first anniversary, the Company is entitled to redeem the debentures at 105% of the principal amount (“redemption price”) thereof plus accrued and unpaid Interest.

In addition, all outstanding warrants held by the lender in connection with the original outstanding debt, will be converted, at the exchange ratio, into Exro warrants.

The adjustments to the pro forma condensed consolidated combined financial information take into account the treatment of the restructured debt in accordance with IFRS 9. The table below highlights the allocation for each component of the senior convertible promissory note:

	<b>Senior convertible promissory note</b>	<b>Warrant liability</b>	<b>Total</b>
<b>Balance at September 30, 2023</b>	63,262,100	7,425,069	70,687,169

The senior secured convertible promissory notes are treated as a liability because the conversion feature and equity features do not meet the equity classification criteria due to them being denominated in USD which differs from Exro’s functional currency. The warrants also do not meet the definition of an equity instrument due to certain net settlement terms. The conversion feature and host debt are recorded together as the senior promissory note, while the warrant is separately classified as a stand alone liability.

Host debt and conversion feature - the conversion feature is based on a US dollar debt balance compared to a Canadian Dollar exercise price, as such a variable amount of common shares will may be received on the



## Exro Technologies Inc.

### Notes to the Pro Forma Condensed Combined Consolidated Financial Information

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
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conversion resulting in a liability classification. The total balance of the convertible feature and host debt has been calculated as \$63,262,100. The total amount related to the conversion feature is \$20,675,094, and the host debt is calculated as the residual amount of \$42,587,006, and accreted over the life of the debt. For purposes of these pro forma financial information it was assumed the prepayment feature did not significantly impact the value of the embedded conversion feature based on the Company's expectation not to prepay the debt. Any impact from the prepayment feature would reduce the value of the conversion feature and reduce the accretion expense to be recognized. Further assessment over the feature is expected to be completed on close of the transaction.

Liability classified warrant - the warrants include the ability to settle on a net basis, where the holder, in lieu of exercising for cash, may elect to receive shares equal to the value of the warrant, which results in a variable number of common shares to be issued, should the holder exercise on a net basis. The warrants have been classified as a current liability at a value of \$7,425,069, and the fair value calculated using a black-scholes model. This value is an initial estimate and may vary based on market conditions at the closing date, at which time further valuation work will be performed.

Accretion expense of \$6,769,469 and \$7,279,770 have been included in the pro forma condensed combined consolidated statement of net loss for the periods ended September 30, 2023 and December 31, 2022, respectively, which accounts for the transaction had it occurred on January 1, 2022. Additionally, interest expense of \$6,284,158 and \$7,742,540 have been included in the pro forma condensed combined consolidated statement of net loss for the periods ended September 30, 2023 and December 31, 2022, respectively. It is not possible to estimate the fair value changes that would be attributable to the embedded conversion feature and the warrants, which will be based on future market conditions, as such no fair value movements have been recorded in the pro forma statements of net loss.

The senior convertible promissory notes and warrant liability have been recorded as current liabilities to reflect adoption amendments to IAS 1 regarding non-current liabilities with covenants which will be effective at the closing date of the transaction (ie. it is effective for Exro from January 1, 2024). This will require the senior convertible promissory notes to be classified as a current liability due to the fact that they are not a compound instrument and the holders can demand settlement in shares through converting within a one year period.

#### d. Investments

On February 9, 2021, the Company announced an extended strategic collaboration agreement with SEA Electric Holdings Pty Ltd., a subsidiary of SEA. As part of the agreement, Exro invested US\$5,000,000 by subscribing for 124,380 Series A Preferred Shares at a price of US\$40.1995 per share.

As at September 30, 2023 the Exro's investment in SEA was carried at a fair value of \$10,818,473 (US \$7,960,320). As a result of the proposed transaction, the shares have been revalued at the same rates applied in the purchase price calculation disclosed in note 4(a), applying the share price of \$0.77 as of February 27, 2024. The fair value of Exro's investment in SEA was revalued to \$6,317,437, which has been included in the goodwill balance disclosed in note 4(b). The fair value loss of \$4,501,036 is reflected as an increase to deficit in the pro forma statement of financial position.

The impact of the loss on investment recognized by the Company for the year ended December 31, 2022 is reversed in the pro forma adjustments.

#### e. Financing

In connection with the Merger Agreement, the Company has announced capital raise of approximately \$30,020,000 through the issuance of subscription receipts. The subscription receipts will automatically convert to common shares on close of the Merger Agreement, as such the subscription receipts have been included as common shares of the pro forma financial information. Information with respect to the financing is described in the prospectus supplement, and proceeds have been included in the consolidated pro forma amounts. The amount included of \$27,850,000 is net of estimated transaction costs of \$2,170,000.

#### f. SEA shareholders' equity

The historical equity balances of SEA's shareholders' equity, including share capital, contributed surplus, deficit and accumulated other comprehensive loss, have been eliminated on consolidation.

**Exro Technologies Inc.****Notes to the Pro Forma Condensed Combined Consolidated Financial Information**

As at and for the nine months ended September 31, 2023, and for the year ended December 31, 2022  
(Expressed in Canadian dollars unless otherwise noted – unaudited)

**g. Transaction costs**

Adjustment to reflect the estimated acquisition costs in connection with the Merger Agreement. The transaction costs are related to estimated accounting, legal, tax and other costs associated with the completion of the merger Agreement, including costs incurred by both SEA and Exro. These costs have been included as a pro forma adjustment to retained earnings and cash on the unaudited pro forma condensed combined consolidated statement of financial position, as opposed to being included on the unaudited pro forma condensed combined consolidated statement of net loss on the basis that these expenses are directly incremental to the Merger Agreement between Exro and SEA, and are non-recurring in nature.

**h. Depreciation**

The amount has been adjusted to reflect depreciation on the preliminary fair value adjustments allocated to intangible assets. The estimated useful life has been calculated based on a preliminary estimate of 10 years.

**i. Earnings per shares**

Earnings per share has been calculated by dividing the pro forma net income applicable to all outstanding common shares and preferred shares by the weighted average number of common shares outstanding for the year-ended December 31, 2022 and the nine months ended September 30, 2023. The amount includes non-voting convertible preferred shares outstanding, on the basis that they share in the dividends at the same rate as common shares. Subscription receipts issued on financing, discussed in note 4(e), are included in full on the basis that they will be automatically converted to common shares on close of the transaction. For the purpose of the pro forma condensed combined consolidated statement of net loss, the transaction is assumed to have closed on January 1, 2022.

**j. Deferred tax**

Exro has carryforward losses for which they currently do not recognize deferred tax assets. It is possible that some of these losses are available in jurisdictions that could be used to offset the deferred tax liability recorded as part of the purchase price allocation. Recognition of these deferred tax assets would occur subsequent to the purchase price allocation and therefore result in an income tax benefit being recorded in the post-acquisition income statement. Given the uncertainty at this time in Exro's ability to utilize these losses against the deferred tax liability no adjustment has been made to the pro forma financial information to recognize these losses.

**k. Convertible debentures**

Despite the Merger Agreement not being deemed to result in a change of control for Exro, the terms of the Exro convertible debentures do trigger the change of control clause. Therefore within 30 days following the deemed change of control, the Company is obligated to offer to purchase all the outstanding convertible debentures. The Company therefore expects to make the required offer. The pro forma financial information assumes the redemption of \$14,950,000 principal of convertible debentures, assuming that all offers to redeem the convertible debentures are excepted within 30 days of close of the transaction. This amount has therefore been reflected as a reduction of cash. The redemption will result in a reduction to the debt, the related derivative asset and the equity component of the convertible debt, with the offsetting loss on settlement of \$5,139,517 is reflected through deficit. The related interest and accretion expense for the nine months ended September 23, 2023 has been reduced from the pro forma statement of net loss for a total amount of \$917,339. No impact would exist on the interest expense for the period ended December 31, 2022, as the convertible debentures were entered into on December 30, 2022.

## CERTIFICATE OF THE COMPANY

Dated: March 6, 2024

This amended and restated short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces and territories of Canada.

### EXRO TECHNOLOGIES INC.

(signed) "*Sue Ozdemir*"

Sue Ozdemir  
Chief Executive Officer

(signed) "*John Meekison*"

John Meekison  
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Rodney Copes*"

Rodney Copes  
Director

(signed) "*Aleksandra Miziolek*"

Aleksandra Miziolek  
Director