EXRO TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023

The following is a discussion of the financial condition and results of operations of Exro Technologies Inc. ("**Exro**", the "**Company**", "**we**", "**our**") during the three and twelve months ended December 31, 2023, and to the date of this report. The following management discussion and analysis ("**MD&A**") should be read in conjunction with the Company's consolidated financial statements for the period ended December 31, 2023 and the December 31, 2022 audited consolidated financial statements and MD&A, prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). This MD&A complements and supplements but does not form part of the Company's consolidated financial statements.

This MD&A contains forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 12. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of April 1, 2024.

BUSINESS OVERVIEW
Exro Technologies Inc. is a leading clean-technology company focused on developing new generation power-control electronics that expand 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.

Exro Coil Driver™ – Elevating e-Mobility Through Enhanced Power Control

Electric motors fundamentally operate based on the orchestration of their coils. Traditionally, these coils operate in a fixed configuration, limiting the motor's operational versatility. The Coil Driver™ is Exro's innovative traction inverter solution that introduces dynamic power control to the equation.

At its essence, the Coil Driver™ offers individual coil-level control within an electric motor. This ability allows the motor to switch between different operational profiles in real-time, akin to having multiple gears in a traditional vehicle, but accomplished electronically. By doing so, it broadens the motor's operating range, allowing for enhanced performance and increased efficiency based on the demands of the application.

For manufacturers, the implications are substantial. The Coil Driver™ enables either a significant boost in performance for a minor cost increment, or the option to design systems that are more streamlined and cost-efficient without any compromise on their output capabilities.

Additionally, the Coil Driver™ simplifies the electrical infrastructure within electric vehicles. It merges the functionalities of multiple components, optimizing the system for reduced energy loss and offering design flexibility. This results in cost efficiencies and paves the way for a more accelerated transition towards electric mobility.

On September 20, 2023 Exro announced the official start of production of Coil Driver™ from the company's world-class manufacturing center in Calgary, Alberta. The center is a state-of-the-art power electronics production line with a capacity of 100,000 Coil Driver™ units per year (per eight hour shift). The start of production allowed the company to launch low volume supply to initial customers for pilots and initial orders, and ready the line for series production in 2024.

Exro's Cell Driver™ – Setting a New Paradigm in Energy Storage Solutions

The modern world's energy demands are rapidly evolving, with batteries playing a pivotal role in addressing these needs. As the reliance on batteries grows, especially in sectors like electric vehicles and telecommunications, the question of battery lifespan and reuse becomes paramount.

Exro's Cell Driver™ is designed to address this very challenge. Beyond its applications for new batteries, a distinctive feature of the Cell Driver™ is on 'second-life' battery applications. By rejuvenating and repurposing used batteries, the Cell Driver™ offers a sustainable and economically attractive alternative to discarding or recycling them.

The Cell Driver™ isn't merely a repurposing tool. It's a cutting-edge solution that dynamically monitors and controls batteries at the individual cell level. This granular control maximizes the storage and discharge efficiency of these batteries. Businesses and consumers can store excess energy when availability is high and draw from it during peak times, ensuring optimal cost efficiency and energy utilization.

The advent of the Cell Driver™ signifies a strategic shift in how we perceive and utilize energy storage. It presents an approach that is both environmentally conscious and strategically sound for meeting the ever-evolving energy demands.

Exro and SEA Electric Inc. Merger

On January 30, 2024, Exro Technologies Inc. entered into a Merger Agreement ("the Transaction") with SEA Electric Inc. ("SEA Electric"). The Transaction is expected to enhance Exro's technology offerings, accelerate revenue growth, and contribute to its path to profitability.

Under the terms of the Merger Agreement, Exro will issue a combination of common shares (the "Exro Common Shares") and non-voting convertible preferred shares (the "Exro Convertible Shares") to SEA Electric stockholders. The total implied value issued to SEA Electric stockholders is approximately US$248 million ($332 million), excluding existing SEA Electric shares held by Exro. Additionally, Exro will assume approximately US$46 million ($62 million) in SEA Electric net debt as part of the Transaction.

The Transaction is expected to provide meaningful benefits to Exro, including but not limited to:

> **Strategic Synergy**: The Transaction combines Exro's Coil Driver™ motor control technology with SEA Electric's SEA-Drive vehicle control unit (VCU) software technology. This integration is anticipated to deliver superior performance, efficiency, and total cost of ownership advantages, embedded in a complete package electric propulsion system for the commercial vehicle space. Exro and SEA Electric have been testing the technology in partnership over the prior 3 years.
>
> **Revenue Acceleration**: Following the Transaction, the company is forecasting delivery of over 1,000 propulsion systems in 2024 to blue-chip original equipment manufacturers (OEMs). This strategic move is expected to drive substantial revenue growth.
>
> **Multi-Year Commitments**: Leading commercial vehicle OEMs have made multi-year commitments to the combined company. These commitments underscore the confidence in the merged entity's capabilities and potential.

The Transaction is expected to be completed on April 5, 2024, subject to customary closing conditions, including regulatory approvals and approval by Exro shareholders.

INTELLECTUAL PROPERTY

Exro's technology and intellectual property are wholly owned in 16 patent families providing or seeking global protection in strategically important countries. Today there are 34 issued patents, 1 allowed patent application that will be issued shortly, 17 pending applications, and 6 applications in preparation.

PRODUCT SEGMENTS

To integrate its technology to different electric vehicle platforms, Exro has engaged multiple partners, some of which are defined and explained in the next section. This approach enables Exro to build the product portfolio that can serve as many product segments as possible. The table below outlines the Company's product segments, and addressable markets.

Product Segments	**Addressable Markets**
Coil Driver™- Low-Voltage (LV) - 48 to 100V	Recreational vehicles; light electric cars; and motorcycles
Coil Driver™ - High-Voltage (HV) - 400 to 800V	Fleet Vans; electric buses; passenger vehicles; long-haul trucks; and industrial vehicles
Cell Driver™- Stationary Energy Storage	Commercial & Industrial energy storage applications

Go-to-Market Strategy

Exro's business model is to develop partnerships with companies that are established in their respective markets, specifically those that welcome disruptive innovation in their product lines and have adequate internal engineering capacity, growing sales, and an existing customer base. These include companies that manufacture automotive equipment such as electric cars, and electric commercial vehicles. Manufacturers of electric motors, batteries, electric axles (**"e-Axles"**) also make ideal partners, since Exro's patented technology and engineering capabilities act as the "intelligence" to enhance performance characteristics of overall power systems.

Exro has built a foundation of intellectual property in power electronics and intends to protect and commercialize new innovations in this space. It is Exro's intent to manufacture its inverters at its low-volume manufacturing facility in Calgary and to license its technology where applicable for high-volume manufacturing. The Company will also consider joint ventures and engaging in manufacturing partnerships to accelerate supply to customers where necessary. Exro believes this business model is scalable, requiring much lower capital investment than building a full high-volume manufacturing business. This approach offers the opportunity to address several market segments concurrently, incrementally and in rapid succession by building on earlier success. Exro will work closely with development partners and customers to integrate its technology into their products and develop new intellectual property for Exro. As the Company continues to grow and evolve, so do its valued partnerships. The partner model includes four different types of partners that will encompass its current product roadmap and encourage continued versatility alongside new partners. The four partnership types are:

- Strategic Partners
- Commercial Partners
- Motor Partners; and
- Distribution Partners for energy storage

Strategic Partners are focused on potential high-volume production and hold the potential to amplify our market presence through their customer network. This partner may start in development phase and progress to operating application validation for long-term serial production. This partnership is ideal for revenue models surrounding high-volume contracts, licensing, or contract manufacturing. An example of this would be our partnership with Linamar Corporation (**"Linamar"**) as we co-develop an e-Axle that will enable Exro's automotive strategy. Linamar is a leading Tier-1 manufacturer of advanced mobility solutions for the automotive industry with customers that include top automotive manufacturers, commercial vehicle manufacturers and multinational delivery services companies.

Commercial Partners are interested in becoming customers for Exro's commercialized products but first require validated integration of our technology within their applications. In some cases, this might require meeting highly regulated auto industry standards. The objective of this kind of partnership is the delivery of purchase orders for low-volume production of Exro products after successful integration. An example of a Commercial Partnership we have today is Vicinity Motor Corp. ("Vicinity"), as we integrate the Coil Driver™ into Vicinity commercial busses to enhance performance.

Motor Partners will be an integral part of accelerating the delivery of our Coil Driver™ to market by enabling system solutions for each segment of our product line. These partners will work with us to develop an optimized motor to integrate with our Coil Driver™ and provide a packaged motor and inverter system solution we can deliver to specific applications or market segments. Today Exro has multiple motor partners including Wolong Electric, TSA, HB4, and two leading global partners that remain under NDA.

Distribution Partners are key in supporting Exro's go-to-market strategy for our Cell Driver™ stationary energy storage system for the commercial and industrial market. The Company intends to partner with leading clean energy integrators that provide expertise and scalability to accelerate market penetration and deployment. Exro recently announced the completion all testing requirements to qualify the company to receive certification for it's Cell Driver™ technology from the Underwriters Laboratories (UL) standards. The certification is anticipated to be received in Q2 2024. Certification will be followed by the start of series production for Cell Driver™ beginning with in-field pilots and initial customer deliveries. In parallel with the UL testing and certification process, Exro continues commercialization and marketing efforts in alignment with system certification.

KEY 2023 HIGHLIGHTS

Exro achieved a number of strategic objectives in 2023. A summary of select key objectives is included below:

- In Q1 2023, Exro signed a strategic partnership with Wolong Electric Group, the world's third-largest motor manufacturer. An initial batch of low voltage motors for pairing with Exro Coil Driver™ was received and testing initiated in Q4 2023. Discussions are underway on commercialization collaboration as well as the potential to explore high voltage applications.
- Exro partnered with a global European-based tier-1 OEM automotive motor supplier, currently under a non-disclosure agreement (NDA). In early Q4 2023, Exro received motors from this partner, and testing was completed at Exro's facilities in Mesa, Arizona. In Q1 2024 the results were shared with the NDA partner, which is analyzing the information and conducting additional testing at their facilities in Europe. We continue to work towards commercialization plans and a goal of lifting the partner NDA.
- On March 25, 2023, Exro delivered an initial batch of low-voltage and high-voltage Design-for-Manufacture (DFM) samples to Italian OEM supplier HB4. These samples have been integrated into vehicles (including a truck and passenger car) and showcased at recent European trade shows. Additional samples were ordered, and deliveries made in Q1 2024 to be integrated into a small delivery truck platform in Italy.
- In Q2 2023, Exro and Linamar announced a definitive commercial agreement whereby Exro would supply high voltage Coil Drivers to Linamar over a 5-year period. The agreement contemplated a demonstration vehicle to be completed in early 2024 which would be used as a joint marketing tool for potential customers and initial volumes to begin in late 2024 and ramping

over a 5 year period. Exro and Linamar are working towards completing the demonstration vehicle equipped with an e-beam axle and high-voltage Coil Driver™. Integration is underway at Exro Vehicle Systems in Detroit, with the vehicle intended to be ready for co-marketing to potential customers in Q2 2024.

- In Q3 2023, Exro was awarded an innovation program with a Major Global Automaker to mutually explore powertrain innovations using Exro's advanced power electronics technology. The goal was to design a proof-of-concept Coil Driver™ plus optimized motor system that demonstrated improved continuous torque and performance. In Q4 2023, Exro announced that the project had passed the major design stage gate, and the company was approved to advance to stage two, the manufacturing and supply of functional prototypes to be integrated into a passenger vehicle. This project remains on track with prototypes targeted to be delivered to the automaker by the end of 2024.
- Coil Driver™ start of production was launched in Q3 2023 with low volume production and was followed by initial deliveries of sample units in Q4 2023.
- In Q4 2023, Exro lifted the NDA and announced a partnership with Giaffone Electric, further expanding its strategic collaborations into South America. In Q1 2023, Exro and Giaffone integrated Coil Driver™ systems within commercial delivery vehicles for a global leading food and beverage company. Additional systems were ordered and deliveries continued through Q1 2024.
- Exro successfully completed bench testing of 48V coil drivers for a hybrid diesel application with its off-highway NDA partner in Europe. Commercial discussions for units and systems are underway, with negotiations involving the lifting of the NDA.
- Exro has built a backlog through orders announced with HB4, Vicinity, and SEA Electric. These agreements contribute to building our Coil Driver™ order backlog. Discussions continue with other parties which hold the potential to translate into supply agreements in 2024.
- On January 30, 2024 Exro announced a plan of arrangement and merger agreement with SEA Electric. The merger is expected to build on the previous relationship and development efforts between Exro and SEA, including the integration of Exro's Coil Driver into SEA's existing customer platforms.
- Exro Vehicle Systems (EVS) offers end-to-end engineering services for the design, development, integration and verification of electrified power systems. EVS generated revenue of $5,736,140 for the year ended December 31, 2023.
- With Exro's Cell Driver™ energy storage, the company announced a distribution partnership with Greentech Renewables Southwest and named Re:Build Manufacturing as the exclusive manufacturing partner for the Company's Cell Driver cabinets. Exro has onboarded 40+ distribution and installation partners across North America and the Caribbean

SUBSEQUENT EVENTS

On January 30, 2024 Exro announced a plan of arrangement and merger to acquire SEA Electric, an automotive technology company. The business combination is expected to strengthen Exro's technology offerings while accelerating revenue growth and Exro's path to profitability. The transaction is expected to close on April 5, 2024.

On February 16, 2024 Exro announced the closing of its bought deal private placement offering for gross proceeds of $30,020,000 through the offering of 31,600,000 subscription receipts at a price of $0.95 per subscription receipt. The offering was launched and successfully completed in connection with the Company's merger announcement on January 30, 2024.

On March 6, 2024 Exro announced that it has completed the testing program required to receive UL certification for its Cell Driver™ stationary energy storage system. The test results are currently being reviewed by approved UL certifier Intertek Laboratories, followed by an audit of Exro's contract manufacturer for the Cell Driver™, Re:Build Manufacturing. It is anticipated that final UL certification will be received in Q2 2024. Commercial sales and marketing activities continue.

RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

<u>Selected quarterly financial data</u>

	Quarter Ended	Revenue ($'s)	Net Loss ($')	Basic and diluted loss per common shares ($'s)	Weighted average number of common shares
Q4	December 31, 2023	935,410	(18,769,546)	(0.11)	169,405,378
Q3	September 30, 2023	2,032,669	(10,694,314)	(0.06)	168,731,203
Q2	June 30, 2023	2,443,292	(12,995,906)	(0.08)	158,685,036
Q1	March 31, 2023	324,769	(8,163,404)	(0.05)	149,820,687
Q4	December 31, 2022	1,807,859	(12,880,152)	(0.08)	146,217,420
Q3	September 30, 2022	131,251	(8,134,896)	(0.06)	139,112,088

Q2	June 30, 2022	142,078	(8,894,095)	(0.07)	133,950,067
Q1	March 31, 2022	104,260	(10,115,769)	(0.08)	131,280,873

The Company continues to incur expenses in the development and validation of its Coil Driver™ and Cell Driver™ in order to reach commercialization, offset by revenues earned through engineering services agreements. In addition the increased operating loss is impacted by the increase in overall headcount to support the growing operations as the Company progresses through the development phase of its products, and into commercialization, including non-cash losses related to the revaluation of the investment in SEA Electric and the derivative asset.

For the three months ended December 31, 2023, compared to the three months ended December 31, 2022

The Company incurred a net loss of $18,769,546 for the three months ended December 31, 2023 compared to $12,880,152 for the three months ended December 31, 2022. The change in net loss is primarily related to an increase in research and development activities, share-based payments, and higher interest expense for the three months ended December 31, 2023. The Company saw a decrease in selling, general and administrative expenses for the three months ended December 31, 2023. The Company also recognized non-cash losses related to the revaluation of its derivative asset and investment in SEA Electric.

Revenue

	For the three months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Revenue	935,410	1,807,859	(872,449)	(48)%
Cost of Sales	695,483	1,642,493	(947,010)	(58)%
Gross margin	239,927	165,366	74,561	45 %

Revenue of $935,410 (December 31, 2022 – $1,807,859) was related to engineering services agreements completed during the three months ended December 31, 2023. Revenue recognized relates to agreements which have been fully delivered during the period. Amounts collected prior to the delivery on the Company's agreements are recorded as unearned revenue until such time all performance obligations have been completed. Lower revenue was recognized during the three months ended December 31, 2023; however the Company realized a gross margin of $239,927 compared to $165,366 for the three months ended December 31, 2022.

Cost of sales decreased from $1,642,493 to $695,483 for the three months ended December 31, 2023. Cost of sales are recognized in conjunction with revenue. The decrease is primarily related to timing of revenue recognition in 2023 compared to 2022. Cost of sales consists of labour, materials, and direct and indirect overhead amounts allocated based on direct labour hours required to complete customer deliverables.

Selling, general and administration

	For the three months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Selling, general and administration	2,592,706	2,598,592	(5,886)	— %

Selling, general and administration expense decreased during the three months ended December 31, 2023 by $5,886 to $2,592,706 (December 31, 2022 – $2,598,592). The decrease is primarily attributable to:

- Decrease related to marketing and promotional activities, such as trade shows and advertising as compared to the same period in 2023;
- Offset by higher professional fees incurred for the three months ended December 31, 2023, largely related to the proposed merger with SEA electric.

Payroll and consulting

	For the three months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Payroll and consulting fees	4,474,702	3,678,644	796,058	22 %

Payroll and consulting fees increased during the three months ended December 31, 2023 by $796,058 to $4,474,702 (December 31, 2022 – $3,678,644) related primarily to the increase in headcount in 2023 compared to the same period in 2022.

The Company allocates labour directly attributable to engineering services based on hours incurred on each project to work in progress inventory, or capital assets based on the nature of the project. Additionally the Company expenses labour incurred for the development and validation of Exro's products to research and development.

Research and development

	For the three months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Research and development	2,599,686	1,130,355	1,469,331	130 %
Payroll and consulting fees (related to R&D)	1,729,690	1,324,000	405,690	31 %
Share-based payments	156,457	191,193	(34,736)	(18)%
Research and development	4,485,833	2,645,548	1,840,285	70 %

Research and development costs increased by $1,840,285 to $4,485,833 (December 31, 2022 – $2,645,548) for the three months ended December 31, 2023. These costs primarily consist of engineering resources, consulting, and materials to commercialize the Company's technologies to product. Changes to the research and development amounts are as follows:

- Payroll and consulting fees are directly related to engineering resources required for the development and validation of Exro's products. The increase in expense related to payroll and consulting fees is a result of higher headcount in December 31, 2023 in order to deliver on the Company's projects and partnerships in order to reach commercialization; and
- Increase in direct research and development costs is linked to increased testing costs for UL certification of the Company's Cell Driver™, plus higher material costs allocated to research and development in the period as the Company continues to deliver sample units.

<u>For the twelve months ended December 31, 2023, compared to the twelve months ended December 31, 2022</u>

Revenue

	For the twelve months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Revenue	5,736,140	2,185,448	3,550,692	162 %
Cost of Sales	3,203,735	1,900,688	1,303,047	69 %
Gross margin	2,532,405	284,760	2,247,645	789 %

Revenue of $5,736,140 (December 31, 2022 – $2,185,448) was related to engineering services agreements entered into in 2022 and during the twelve months ended December 31, 2023. Revenue recognized relates to agreements which have been fully delivered during the period. Amounts collected prior to the delivery on the Company's agreements are recorded as unearned revenue until such time all performance obligations have been completed.

Cost of sales increased from $1,900,688 to $3,203,735 for the twelve months ended December 31, 2023. The increase is related to the completion of contracts in the period, where costs were previously recorded as work in progress. Cost of sales consists of labour, materials, and direct and indirect overhead amounts allocated based on direct labour hours required to complete customer deliverables.

Selling, general and administration

	For the twelve months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Selling, general and administration	9,776,036	11,119,270	(1,343,234)	(12)%

Selling, general and administration expense decreased during the twelve months ended December 31, 2023 by $1,343,234 to $9,776,036 (December 31, 2022 – $11,119,270). The decrease is primarily attributable to:

- Lower spend on advertising and promotions, compared to the same period in 2022 primarily relating to trade shows; and
- Decrease in professional fees, primarily related to legal and litigation related expenses in 2022, that did not occur in the same period for 2023, offset by an increase in transaction related fees;
- Offset by higher spend for the twelve months ended December 31, 2023 on software and license costs linked to the increase in headcount.

Payroll and consulting

	For the twelve months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Payroll and consulting fees	16,669,923	13,786,604	2,883,319	21 %

Payroll and consulting fees increased during the twelve months ended December 31, 2023 by $2,883,319 to $16,669,923 (December 31, 2022 – $13,786,604) as a result of a continued increase in the employee headcount to support the Company's ongoing projects with its strategic, commercial, motor and distribution partners. The increase was partially offset by a decrease in consulting expenses incurred for the same period in 2023. The Company has also invested additional resources in the period related to its software and engineering teams to support design for manufacturing process.

The Company allocates labour directly attributable to engineering services based on hours incurred on each project to work in progress inventory, or capital assets based on the nature of the project. Additionally, the Company expenses labour incurred for the development and validation of Exro's products to research and development.

Research and development

	For the twelve months ended			
	December 31, 2023	**December 31, 2022**	**$ Change**	**% Change**
Research and development	6,109,953	3,378,064	2,731,889	81 %
Payroll and consulting fees (related to R&D)	6,060,202	4,594,309	1,465,893	32 %
Share-based payments	666,737	793,128	(126,391)	(16)%
Research and development	12,836,892	8,765,501	4,071,391	46 %

Research and development costs increased by $4,071,391 to $12,836,892 (December 31, 2022 – $8,765,501) for the twelve months ended December 31, 2023. These costs primarily consist of engineering resources, consulting, and materials to commercialize the Company's technologies to production. Changes to the research and development amounts are as follows:

- Payroll and consulting fees are directly related to engineering resources required for the development and validation of Exro's products. The increase in expense related to payroll and consulting fees is a result of higher headcount compared to the same period in 2022 to deliver on the Company's projects and partnerships for commercialization; and
- Increase in research and development costs relates to higher utilization of materials, including consumption of inventory into research and development projects, delivery of sample units to customers for testing, and testing costs related to UL certification of the Cell Driver™ not incurred in the comparative period.

OUTSTANDING SHARE DATA

As of April 1, 2024, there were 170,121,818 Common Shares issued and outstanding, and other securities convertible into Common Shares as summarized in the following table:

	Number outstanding as of April 1, 2024	**Number outstanding as of December 31, 2023**
Common shares issued and outstanding	170,121,818	170,021,818
Options	10,279,227	10,543,607
Warrants	16,355,283	16,355,283
RSUs	244,810	244,810
PSUs	663,125	754,375

SOURCES AND USES OF CASH

	For the twelve months ended	
	December 31, 2023	**December 31, 2022**
Cash used in operating activities	(42,606,366)	(31,336,505)
Cash used in investing activities	(9,058,764)	(9,509,581)
Cash provided by financing activities	39,830,833	43,663,948
Impact of foreign currency translation	631,502	(723,103)
Net increase (decrease) in cash and cash equivalents	(11,202,795)	2,094,759
Ending cash balance	6,241,176	17,443,971

Cash used in operating activities increased to $42,606,366 for the twelve months ended December 31, 2023 compared to $31,336,505 during the same period in 2022. The increase in cash used in operating activities was driven by the increase in working capital deployed, primarily related to the repayment of accounts payable during the period, increased research and development expenses, and purchase of inventory.

Cash used in investing activities of $9,058,764 for the twelve months ended December 31, 2023 was related to the purchase of capital equipment related to the Company's testing capacity and production facility.

Cash provided by financing activities for the twelve months ended December 31, 2023 decreased to $39,830,833 compared to $43,663,948 during the same period in 2022. The Company received proceeds from the exercise of stock options and warrants of $705,848 and $7,701,540, respectively, and closed on a bought deal financing for gross proceeds of $34,931,251.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company had cash and cash equivalents of $6,241,176 and accounts receivable of $4,233,672. The Company had accounts payable and accrued liabilities of of $8,629,951.

The Company intends to finance its future requirements related to anticipated project costs and daily operating costs through a combination of existing working capital surplus, debt and/or equity issuance.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated substantial revenues and has incurred substantial losses to date. The ability for the Company to continue as a going concern is dependent on the Company's ability raise capital for research and development activities and to achieve product commercialization and series production.

The Company plans to fill the production capacity at its Calgary, Alberta automotive manufacturing facility by building on the non-binding purchase orders entered into to date for its proprietary Coil Driver™. In addition the Company has entered into a number of distribution agreements for its Cell Driver™, and expects to continue generating revenue from its services division.

The Company is largely dependent upon external financings to fund its activities. In order to carry out planned development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed through, but not limited to, accessing capital markets, lease financing and debt agreements. There is no guarantee these plans will be successful.

On January 30, 2024 the Company announced a plan of arrangement and merger with SEA Electric Inc., an automotive technology company, and concurrent capital raise of $30,020,000 through the issuance of 31,600,000 subscription receipts. The financing was closed on February 16, 2024, with funds held in escrow to be released on closing of the proposed transaction.

As a result of the factors noted above, there are material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

INVESTMENT

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

As at December 31, 2023, the fair value of the Company's investments in SEA Electric was estimated to be $8,357,423 (US$6,301,091) compared to $10,800,960 at December 31, 2022 (US$7,960,320). On January 30, 2024 the Company announced a Plan of Arrangement and Merger with SEA Electric valued at US$300 million. The fair value of the investment has been revalued based on the implied share price of US$50.66 per share, resulting in a loss on the investment of $2,200,747 (US$1,659,229) for the year ended December 31, 2023. The implied share price of US$50.66 was determined based on the agreed upon valuation of SEA shares as of January 29, 2024, which was used to calculate the exchange ratio from the 10-day VWAP for the 10 days prior to signing of the agreement. Significant judgement was used to determine that the value of SEA did not significantly change between December 31, 2023 and January 29, 2024 based on entity specific factors and market conditions, and therefore determined the merger value to approximate the share price at December 31, 2023.

Material uncertainty exists with respect to the fair value of the investment in SEA Electric and there is no guarantee the Company will realize the fair value associated with the investment.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the twelve months ended December 31, 2023.

CRITICAL JUDGMENTS

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

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

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

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

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

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

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

ESTIMATION UNCERTAINTY

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

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

   Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

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

iii. Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is calculated using management' best estimate on the useful life of the assets. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets. The carrying amount of nil for intangible assets does not necessarily reflect present or future value and the ultimate amount recoverable will be dependent upon the successful commercialization of products based on these underlying technologies.

PROPOSED TRANSACTIONS

On January 30, 2024 the Company announced a merger agreement to acquire SEA Electric Inc, an innovative technology company that has created a proprietary 100%-electric commercial vehicle drivetrain system technology (known as SEA-Drive) for the worlds urban delivery and distribution fleet. The transaction is expected close on April 5, 2024, subject to certain regulatory approvals. Further details are contained in the Management Information Circular dated March 6, 2024 filed on SEDAR+ at www.sedarplus.ca.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

APPROVAL

The Company's Board of Directors has approved the Company's consolidated financial statements for the twelve months ended December 31, 2023. The Company's Board of Directors has also approved the disclosures contained in this MD&A.

RELATED PARTY TRANSACTIONS

Key management compensation

Key management consists of the Officers and Directors who are responsible for planning, directing and controlling the activities of the Company. For the twelve months ended December 31, 2023 and December 31, 2022, the following expenses were incurred to the Company's key management:

	For the three months ended		For the twelve months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Payroll and consulting fees	1,498,140	690,154	4,184,323	2,885,827
Share-based payments	655,944	132,458	3,534,082	1,239,268
	2,154,084	822,612	7,718,405	4,125,095

FINANCIAL INSTRUMENTS

(a) Fair value

As at December 31, 2023 and December 31, 2022, the carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. The Company measures its investment at fair value.

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

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

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

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

The fair value of the investments in private companies represents a level 3 instrument based on the change in observable inputs available as at December 31, 2023.

(b) Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2023, the Company's exposure to credit risk is the carrying value of cash and balances on trades receivable. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents, accounts receivable and long-term investments. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments.

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

The Company applies the simplified approach under IFRS 9 and has calculated expected credit losses ("ECLs") based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has a limited number of counterparties in the period, as such no credit loss provision has been recorded.

Liquidity risk

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

As at December 31, 2023, the Company had cash of $6,241,176 and accounts payable and accrued liabilities of $8,629,951. As at December 31, 2023, the Company had $211,998 in accounts payable and accrued liabilities over 90 days.

The Company holds debentures, with a face value of $14,950,000 due on December 31, 2027. The debentures carry a coupon rate of 12% annually, resulting in interest payments due of $897,000 payable semi-annually. The Company has the option to settle the interest payments through share issuances in-lieu of cash.

Market risk

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets and financial liabilities denoted in US dollars, and Euros and is therefore exposed to exchange rate fluctuations. At December 31, 2023, the Company had the equivalent of $9,188,300 of net financial assets denominated in US dollars, $1,225,310 of net financial liabilities denominated in Euros, and $55,127 of net financial liabilities denominated in Great Britain Pounds.

Interest rate risk

Interest rate risk consists of two components:

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

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

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

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk.

The Company has exposure to other price risk through its investment in SEA Electric. Changes in the expected share price will impact the fair value of the investment in the Company. A US$1.00 change in the share price would result in a gain/loss of US$124,380.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

There were no changes in the Company's DC&P during the period ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, the Company's DC&P.

Internal Controls Over Financial Reporting

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

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

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

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

There were no changes in the Company's ICFR during the period ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RISKS FACTORS

Current and prospective shareholders should specifically consider various risk factors, including, but not limited to, the risks outlined below and particularly under the heading "*Risk Factors*" in the Company's 2023 Annual Information Form filed on SEDAR+ (www.sedarplus.ca). Should one or more of these risks or uncertainties, including the risks listed below, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein.

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

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

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

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of April 1, 2024 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

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

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

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

- Exro's business plans, outlook and strategy;
- Exro's expectation with respect to its future purchase orders, sales agreements, and production;
- Exro's expectation with respect to its future hiring and R&D activities;
- The timing of completion of Exro's capital program, additional dynamometer bays and the manufacturing facility, including installation and commissioning of components and equipment;
- Exro's total annual production capacity subsequent to completion of its capital program;
- Exro's ability to increase future manufacturing capacity in Calgary;
- Expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same;
- Anticipated supply and demand of Exro's products; and
- Expectations with regard to Exro's ability to maintain and raise adequate source of funding to finance the Company's operations and development; and
- The results of the Company's proposed merger with SEA Electric, and the future operations including synergy's, revenue acceleration, multi-year commitments and path to profitability.

Certain of the above listed forward-looking statements constitute future-oriented financial information and financial outlook information (collectively, **"FOFI"**) about Exro's prospective financial position, including, but not limited to, that operational cost efficiencies to be realized within growth assuming completion of the 2023 capital program and that 2023 capital program will result in sustainable and profitable growth in 2024 and beyond. FOFI contained in this MD&A were made as of the date hereof and is provided for the purpose of describing Exro's anticipated future business operations.

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

- Global supply shortage of semi-conductors and micro chips could have a material adverse effect on the timelines of reaching production stages;
- Factors outside Exro's control may impact Exro's ability to successfully execute its commercialization plan;
- Potential delays in Coil Driver™ on road validation testing with customers;
- May not have enough orders to fill full capacity of the production facility;
- Exro's Calgary manufacturing facility may experience delays in construction and/or equipment installation, which may also result in delays for obtaining necessary ISO and automotive certifications;
- Anticipated market demand and sales orders may differ based on changes in customers' pipelines and/or product requirements;
- A joint promotion of the technology by Linamar and Exro to the market with the intention of commercializing the Coil Driver™ e-Axle into series production may not realize unless the validation testing is complete and successful;
- Potential delays in obtaining UL Certification for the Cell Driver™, which could impact the timelines for commercialization; and
- Potential delays in completion of testing and validation of future Coil Driver™ prototypes.

Exro's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and as set out under the heading "Risk Factors" in the Company's 2023 Annual Information Form available on SEDAR+ at www.sedarplus.ca. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements and FOFI contained in this MD&A are expressly qualified by this cautionary statement. Exro does not undertake any obligation to update or revise any forward-looking statements or FOFI, whether as a result of new information, future events or otherwise, unless required by law.

Calgary, AB April 1, 2024